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NOMINATION OF ANTHONY J. PRINCIPI

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATION OF ANTHONY J. PRINCIPI TO BE DEPUTY SECRETARY OF VETERANS AFFAIRS

MARCH 16, 1989

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NOMINATION OF ANTHONY J. PRINCIPI TO BE DEPUTY SECRETARY OF VETERANS AFFAIRS

THURSDAY, MARCH 16, 1989

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 9:23 a.m., in room SR-418, Russell Senate Office Building, Hon. Alan Cranston (chairman of the committee) presiding.

Present: Senators Cranston, Murkowski, Simpson, Thurmond, and Jeffords.

OPENING STATEMENT OF CHAIRMAN CRANSTON

Chairman CRANSTON. The hearing will please come to order.

I am very pleased to welcome all of you to this hearing of the committee to consider the nomination of Anthony J. Principi, of California, to be the Deputy Secretary of Veterans Affairs.

Tony, we particularly welcome and congratulate you. Your nomination is most appropriate and well-deserved.

We also welcome Tony's wife, Liz, and their three sons, Tony, Jr., Ryan, and John.

As everyone here knows, Tony is no stranger to veterans' issues nor to the challenges he will face if confirmed as Deputy Secretary. Indeed, it is interesting to note that the last time this committee held a confirmation hearing to confirm the second ranking official in the VA—Tom Harvey's hearing in August 1986—Tony was the committee's chief counsel and staff director.

Another aspect of this nomination is particularly worthy of note. If confirmed, Tony will continue a tradition dating back to 1977, more than 12 years ago, of having a Vietnam veteran in one of the two top positions at VA. I congratulate President Bush for carrying on that tradition.

Tony Principi's background as a decorated combat veteran, counsel to the Senate Armed Services Committee, Associate Deputy Administrator at the VA for Congressional and Public Affairs, and chief counsel and staff director and minority chief counsel and staff director for our committee, and most importantly, being a Californian, will provide the new Department and Secretary Derwinski with a most valuable and necessary reservoir of experience, knowledge, and leadership.

As I noted at a committee meeting on July 9 last year when Tony left the committee, he has always been a man of honor and a man of his word. Likewise, his strong intellect, his deep respect for

military service—gained directly through distinguished combat service, his strong commitment to veterans, and his firm dedication to principle will serve him and the VA very well.

As I noted then, my regard for Tony is not diminished in any way by knowing that he and I will not always see an issue the same way or knowing that, when there is disagreement, he is a strong advocate for his viewpoint. In fact, these traits give me confidence that Tony has done and will continue to do his job in a most effective and professional way.

Assuming Tony's confirmation—which I certainly do assume, and will work to achieve today or tomorrow—I look forward to continuing to work with him on behalf of our Nation's veterans.

Tony, I know your wonderful family is bursting with pride for you today. We all are.

As well as my high regard for Tony, based on working with him for over 4 years, I am delighted to have him and his family, as well as his sister and his parents, as my California constituents. So, as his and his family's senior Senator, I join with my good friend, the committee's ranking minority member and Tony's former boss, Frank Murkowski, in presenting Tony to the committee today.

Mr. PRINCIPI. Thank you, Senator Cranston.

Senator THURMOND. Mr. Chairman, the Armed Services Committee is meeting on Mr. Cheney in just a few minutes. Could you record me as voting for this gentleman?

Chairman CRANSTON. We may have to meet off the floor at some point, because we need six people in order to conduct business.

Senator THURMOND. I see. Well, whenever you take the vote, mark me for him. I think he is a good man and I am for him.

Chairman CRANSTON. OK, thank you.

We will now hear from Senator Murkowski.

OPENING STATEMENT OF SENATOR MURKOWSKI

Senator MURKOWSKI. Thank you, Mr. Chairman.

I want to tell you how pleased I am to be here with our nominee, Anthony Principi. The significance of his being named the first Deputy Secretary of the Veterans Affairs Department speaks for the pride that all of us have in his commitment and his contribution.

I am certainly pleased to have the opportunity to present you, Tony, before this committee, as well as welcoming your wife, Elizabeth, and your children, Tony, Jr., Ryan, and John. We are very much aware, as you are, that the job of the Deputy Secretary is going to be a demanding one. It extends to the limits of the Department of Veterans Affairs. The responsibilities extend from medical care, housing, education, vocational rehabilitation, to payment of disability benefits and supervision of the National Cemetery System.

As you and I both know, it affects more than 27 million veterans, as well as their survivors and dependents and it influences every segment of the economy that interacts with the Department. For example, more than 100 medical schools and the entire real estate industry rely to some extent on the VA, as well as all post-secondary education.

As Deputy Secretary, you must have a rare combination of qualities, which you do possess. Loyalty, of course, is most important, and willingness to speak frankly with the boss. Having been on the other side of that, I know of your ability to do so. Your competence to ensure policy decisions becomes, in reality, agency decisions. Your aggressiveness; your energetic motivation in directing those who will do the work; your knowledge to evaluate, through experience and background, the validity of the information presented by the policy advocates or by the Department itself, is appreciated by all of us.

The members of this committee all know you, Tony. We know that you meet these criteria. We also know of your work, your expertise, and your personality.

I came to know you, Tony, as my staff director and chief counsel when I was chairman, and the ranking minority member of the committee. I came to respect your knowledge of veterans' issues and programs, and I came to rely upon your judgment and intuition. I also came to appreciate your energy, your desire for hard work, and your kindness. I came to value your loyalty, and that of your coworkers, to the institution serving the veterans of this Nation.

Now, if Tony were still the Republican staff director and chief counsel, I could endorse his nomination only at my own expense. The administration's gain would be the Senate's loss. However, Tony left the Senate staff last year for California. I tried to get him to go to Alaska, but Senator Cranston prevailed. [Laughter.]

I am pleased, Tony, that the President was able to lure you back from the beaches of San Diego to do the Lord's work in the Devil's town. [Laughter.]

I endorse Tony Principi for the responsibilities of Deputy Secretary of Veterans Affairs without any reservation.

Tony, you volunteered for a difficult assignment. Your willingness to do so is consistent with your record of public service and your military record. You are good news for Secretary Derwinski and American veterans as well. I also expect a speedy confirmation and wish you well as you embark on what I know will be a fruitful and productive tour of duty as the first Deputy Secretary of Veterans Affairs.

I congratulate you in advance, your lovely wife Elizabeth, and your children, Tony. It has been great to work with you and I look forward to continuing to work with you. As you know by the extensiveness of this statement, I did what I was told and read it all. [Laughter.]

Thank you very much.

Please excuse me, Mr. Chairman. I have a final markup on ANWR, which is fairly significant.

Chairman CRANSTON. Thank you.

Senator Simpson, do you have anything to counter that glowing testimony? [Laughter.]

OPENING STATEMENT OF SENATOR SIMPSON

Senator SIMPSON. Mr. Chairman, there was a great story once about a long, long accolade of someone—then this other guy was asked to get up and he said, "I think like that guy." [Laughter.]

I certainly do wish I had said all that, because that is exactly what I would have said about my affection, regard, and admiration for Tony.

Mr. Chairman, you and I both know, along with Senator Murkowski—all of us, with all the staff in this room, know exactly who this is, how he does his work, and how very remarkable a man he is. He served me as chief counsel and staff director, and I came to rely heavily upon him for his counsel, his judgment, his intellect, his compassion, his ability to deal with the veterans' organizations—being a veteran, a combat veteran, a decorated veteran—and his ability to get common sense injected into what was often laden with emotion.

I always knew that I could get straight talk and good advice out of him, although that did not mean that I took it all the time. He saved me from a few deep caverns and pits, although I seem to manage to get into those without any help. He is superb, and he knows the players, knows the pressures, and knows where the bloat is in this great game.

I think it is going to be tremendous to have Tony Principi and Ed Derwinski doing this. They will be open and fair, will communicate between the various groups, and will get honest with regard to the budget and what we really do for veterans in this country, which is an awesome amount of good things.

I just get so tired of listening to all the junk about how we do nothing for veterans. Now, we will be at $32 billion for veterans' programs, and some people run around the country saying that we are doing nothing. It's the stupidest argument I've ever heard, and it does not bear any credibility at all.

You are going to be looking at the budget difficulties, sequester, things that are not exempt, and I am very pleased. You are a known quantity to all of us and a known quality to all of us, too. It is a pleasure to see you, your wife, Liz, and the kids back—tanned and magnificent looking. You will be gray with power when we finish with you. [Laughter.]

I know you are equal to the task.

Thank you, Mr. Chairman.

Chairman CRANSTON. Thank you.

Mr. Jeffords?

OPENING STATEMENT OF SENATOR JEFFORDS

Senator JEFFORDS. Thank you, Mr. Chairman. Paraphrasing President Calvin Coolidge, if you cannot improve upon a situation, you are better off not saying anything.

Certainly the tremendous accolades that you have received here, Tony, are a tribute to your work. I would only add that these are very difficult times for veterans in the sense that we have built up expectations over the years and we have begun to chip away at those.

It is important that we plan for the future and let everybody know where they stand and try to do the best job that we can with the resources that we have. I know that you will do an excellent job in that regard.

Thank you very much, Mr. Chairman.

Chairman CRANSTON. Thank you.

We have a statement of support for Tony's nomination from Senator DeConcini, which will appear in the record.

[The prepared statement of Senator DeConcini appears on p. 13.]

Chairman CRANSTON. I would now like to read for all present the fine endorsement of Tony from House Committee Chairman "Sonny" Montgomery, who wrote me that he regretted his inability to be here in person to testify. His brief but very significant testimony is as follows:

STATEMENT OF HON. G.V. "SONNY" MONTGOMERY, CHAIRMAN, COMMITTEE ON VETERANS' AFFAIRS, U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman, the Secretary of Veterans Affairs could not have a more capable individual as his Deputy than Tony Principi. He is highly respected in the veteran community and he has the confidence and respect of those of us who work in veterans' affairs in the Congress.

From the Naval Academy to a destroyer to combat in Vietnam to training bases, he's been there. He knows what the military and veteran experiences are about.

I came to discover Tony's skills and his high level of integrity during the years he served as a member of the Senate Armed Services Committee staff. I came to know even more about him when he later served as both majority and minority chief counsel of the Senate Veterans' Affairs Committee and as Associate Deputy Administrator for Congressional, Public, and Intergovernmental Affairs of the VA. When he says something, bank on it. He's a man of his word and a man of action.

Mr. Chairman, Tony Principi has proven time and time again his total dedication to the well-being of our veterans and to their families. I urge you to expedite his confirmation and allow him to continue in this important new position to do what he does so well, help veterans.

Now, pursuant to the rules of the committee as recently amended, all nominees are being asked to testify under oath, so Tony, please stand and raise your right hand.

[Witness sworn.]

Senator SIMPSON. Mr. Chairman, may I submit the statement of Senator Thurmond for the record?

Chairman CRANSTON. Yes, that will go into the record.

[The prepared statement of Senator Thurmond appears on p. 15.]

Chairman CRANSTON. May I say to the two of you before you have to leave that we will get a group together on the Senate floor during the live quorum that will proceed returning to the Hastings impeachment matter. We will be able to complete our business then in a short meeting at 2 o'clock this afternoon.

Senator JEFFORDS. That is certainly acceptable to me, Mr. Chairman. I do have another markup coming up, so I will have to leave.

Senator SIMPSON. I will be there, Mr. Chairman.

Chairman CRANSTON. Thank you.

Tony, do you want to deny all these statements that have been made?

TESTIMONY OF ANTHONY J. PRINCIPI, NOMINEE FOR DEPUTY SECRETARY OF VETERANS AFFAIRS

Mr. PRINCIPI. I am humbled by them. Thank you all for your very generous comments.

Mr. Chairman, I am honored to appear before you and the members of the committee today as the President's designee to become the first Deputy Secretary of Veterans Affairs. Thank you for your many kind words and generosity. California will always be our home, and my family and I are privileged and honored by knowing our senior Senator.

Being nominated for this position is certainly the highlight of my government service, but the time I spent working with the members of this committee, and especially all of my colleagues on the staff, will always be remembered as some of the most challenging and rewarding experiences of my life. This appointment is a double honor for me in that, not only have I been afforded this opportunity, but also, I am privileged to serve with Ed Derwinski.

In the short time we have been together, Secretary Derwinski and I have established a good working relationship and a close personal rapport. He has made it clear to me that we will be advocates for the Nation's veterans, and early on, he has demonstrated his commitment to this goal. He is a man of no little experience in these chambers, honest and forthright, compassionate and genuine. I look forward to serving with him on behalf of America's veterans.

There are some other people that I must thank, for without their love and support, I would not be sitting here before you today. First, I want to thank the Moore family, Tom, Pat, Christian, Lisa, and all the children, who have made my transition back into the D.C. area so much easier than it would have been otherwise.

I would like to say thank you to Judge William Cook, an influential figure in my life and the man who made me understand the value and importance of public service. I also thank Sarah McClendon, who is with Judge Cook this morning, for always reminding me of the plight of women veterans. Thank you.

To my three sons, Tony, Ryan, and John, I say thank you for your patience and for your understanding when my work took me away from our home in San Diego. I hope that my nomination and my appearance before this committee today will somehow serve as a beacon for you three as you begin to chart your own courses into manhood and careers.

Most of all, my thanks and my love to my wife Elizabeth, who is the one person who has literally made this possible. The understanding and support for my career that she has shown throughout our marriage is the foundation for all that we have accomplished and for all that we hope to do in the future. Thank you.

The Department of Veterans Affairs is a system which is second to none in the Federal Government in the delivery of benefits and services. It is built on a foundation of caring and commitment of the American people, and it is buttressed by a spirit of voluntarism which makes it the model and precursor of all Federal assistance programs.

We owe a great deal to the contributions of the veterans' service organizations. They have proven their willingness to work within

the system, as they did a few years ago when they were the first and only groups to step forward to say that they would support freezing COLA's on VA disability compensation and pensions for the disabled poor to help reduce deficit spending. They only asked that the freeze be applied equitably and uniformly across all Federal programs.

The Secretary and I look forward to working with them, and we will need their support because we face some formidable challenges. This Department is at a crossroads, and we must be realistic about that.

In my view, we are faced with a financial crisis in our medical care programs. Increased demands are being placed upon our system and those demands are constantly changing. We are confronted with an ever-widening array of challenges, from health care for the aging and the efficiency of the home loan guarantee program, to the topical issues of AIDS, Agent Orange, PTSD, and the homeless.

In the past, the Congress has made some of the tough decisions, from the means test, third-party reimbursement, to much needed reform in the VA home loan program. And now, it is our turn.

With the VA taking it's seat at the Cabinet table we have a twofold responsibility: to articulate the needs of our veterans, to ask for our fair share, but also to make some of the tough decisions facing our Department. And we will have to make some very tough decisions, and make them soon

We are operating under a projected shortfall—our resources are limited and precious. We must allocate them wisely and use them as effectively as possible. We must clarify our objectives and conduct an intensive management review of all our systems.

But most importantly, we must ensure that every action we take acts as a lens which helps us focus on the central question: How does this help the veteran? We must maintain that focus at every level throughout the VA. We cannot sustain programs which have become ineffective or outlived their usefulness.

We must continually go back to that bottom line: how does this particular program help the veteran? We must put our resources to work where we can get the most out of them in delivering the benefits and services which the Congress has mandated.

I look forward to working closely with the Congress, and just as that body has demonstrated its commitment to the VA and our programs, so also would I like to make a personal commitment to the members of this committee and your colleagues in the Congress.

As I was "growing up in the Senate," I learned that the way you get things done is through communication, compromise, and just plain hard work. I intend to apply those principles at the VA, and I state now for the record that I hold myself accountable to this committee for the trust which you have shown in me, to the Congress which provides the funding for the programs we administer, to the American people, who through their elected representatives and with their hard-earned tax dollars, have supported a vast array of programs for our veterans, and most of all to the veterans, the men and women for whom these programs were created. To all of you, I hold myself accountable and pledge to do the very best that I can

to get the most out of the extraordinary system that America has created, to give back to our veterans some of that which they have given to all of us.

Again, my thanks, and I look forward to working with you.

[The prepared statement of Mr. Principi appears on p. 17.]

Chairman CRANSTON. Thank you very much Tony. That was a very fine statement; I compliment you on it. The keen sensitivity that it shows to the mission of the VA and to the overall obligations to those who served our Nation is most encouraging.

I particularly like and find fitting your concluding pledges of accountability. On behalf of the committee, I accept your pledge to do your very best as Deputy Secretary, to keep open lines of communication with us as we want to do with you.

Before turning to whatever questions we have time for, I would like to take care of two items. First, housekeeping. We will now enter into the hearing record the nominee's official biographical statement, part one of this completed committee questionnaire submitted by all Presidential nominees to this committee, and the March 8 letter from the Deputy Director of the Office of Government Ethics to the effect that Mr. Principi will be in compliance with applicable laws and regulations. I have reviewed the summary of the nominee's FBI report, and have found nothing raising any questions for us to pursue.

We will also enter into the record a letter I sent on March 8 to the Counsel to the President, C. Boyden Gray, about access to FBI background investigation reports.

Now Tony, in connection with your testimony being under oath today, we are asking, as I advised you we would in my March 7 letter sending prehearing questions, that you would now submit to the committee, pursuant to the oath that you took earlier, the March 10 responses to those questions that you submitted previously, and that you now acknowledge that these written answers, as well as any you will provide in writing and specific follow up to this hearing are submitted by you under oath.

You have now submitted them—I appreciate that. Do you agree now that they are being provided under oath?

Mr. PRINCIPI. Yes, sir.

[The documents referred to appear on pp. 29–35 and 43–52.]

Chairman CRANSTON. Thank you very much.

I think I will ask only one question because I have to be in Foreign Relations at 10 o'clock to try to expedite another nomination that has run into a slight snag, perhaps. The questions require only brief answers, the written questions.

The one I would like to ask you now is this: In response to prehearing question 5-E regarding the Vet Center Program, you stated, "The Congress has spoken on this issue. I will ensure that adequate resources are made available to fulfill the mission of the Vet Center Program." That is a fine answer, but we have not always agreed on the Vet Center Program, and I would like to ask you to speak your views on the future of the program including location, functions, duration, and eligible clientele, but do it very briefly, please.

Mr. PRINCIPI. Yes, sir.

As you know, in the past I raised some concerns with regard to the Vet Center Program, the need for that program, some 15 to 16 years after our last combat troops came back from Vietnam. However, after extensive debate and decisions by the Congress, that program will remain as an important part of our health care delivery system.

I just believe that we have to do whatever we can to ensure that the resources are available, to ensure that their work is being done effectively and efficiently. In my view, if the Vet Center Program is going to remain as a viable entity and they are not at full capacity, then perhaps other veterans should be allowed to use that system, if there is a capacity to treat them and to take care of them.

Chairman CRANSTON. Thank you very much.

I wanted to interrupt to make one other explanation of the situation. We had intended as many of you know, to follow today's conformation hearing with an oversight hearing on the VA health care system, to hear from veterans, their families, veteran service officers, and VA field officials from around the country about the impact of the current funding shortfall on the availability, timeliness, and quality of health care services.

Unfortunately, for a variety of reasons including many competing demands for time and attention in connection with the fiscal year 1990 budget for veteran programs and the many legislative presentations by the veteran service organizations, as of Tuesday, less than 48 hours before the hearing was to begin, the committee had not received any prepared statements and it was not sufficiently clear what the requested testimony would be. Thus with much regret, in light of the significant efforts that many have made, it became necessary to postpone the hearing to an, as yet, undetermined date.

Finally, I have an announcement to make in followup to one health care matter I raised at our budget hearing last week. At that hearing, I expressed concern to the VA Deputy Chief Medical Director, Dr. Art Lewis, that some VA medical centers were discontinuing the provision of over-the-counter drugs and other nonprescription items to service-connected veterans. I indicated my strong view that this was not an appropriate policy and I asked Dr. Lewis to look into it. I am pleased to note that the VA, on March 13, directed all field facilities to continue providing these items as needed to all veterans being furnished VA care.

Alan, do you have any questions?

Senator SIMPSON. Mr. Chairman, I just have one, and I thank you.

There is not anyone that knows more about what needs to be done when we look at this. We are all hearing about the budget shortfalls affecting VA care. Now, I take that seriously, too. We are going to have to go find probably half-billion dollars for that.

Some of it was done by ourselves in passing an entitlement program that was not funded. I voted against it. I thought it was wrong—I still think it is wrong to do that. But I hope that you will look around to see that there is some expenditure, some resources, that might be reallocated within that massive bureaucracy.

Specifically, I would like you to take a look at staff travel. It seems all out of whack to me. From information I am gathering—

and it is tough to gather—the request for staff travel for fiscal year 1990 is $48 million. I have to question the wisdom of spending scarce sums for that purpose, especially when I see that the VA recently sent 300 employees to a conference in Chicago where they made up a third of the attendees at the American College of Health Care Executives. I hope you will look into that.

Mr. PRINCIPI. I shall.

Senator SIMPSON. Look at new resources. See where they can go and get them to the patients. We give all the money and then the administration circulates it through district and regional and central offices, and they go out around the country. I hope you will do that. I hope you will get a handle on that—and then I guess, I will just close.

I hope you and Ed Derwinski will tell the American public what we do for veterans, instead of allowing the debate to take place, that somehow we don't do anything for veterans. Tell them what we do for service-connected disabled veterans and combat veterans and survivors of veterans who died in the First World War, and tell the story to America because they will be stunned. They will not have to listen to this continuing cacophony of ginned-up stuff that comes from the professional fundraising veterans groups—and there are those. I hope you will do that.

Mr. PRINCIPI. Senator, I certainly share your concerns on both issues. First, with regard to such items as staff travel and administrative layering of individuals. Before we start closing clinics and alcohol and drug abuse treatment centers and hospital-based home care, we really should take a look at some of the administrative overhead first to see where more efficiencies can be made in our system.

Second, we are not going to get all the financial resources we need to operate our health care delivery system. That is clearly unrealistic, so we have to start looking at mission changes, not necessarily closures, but certainly mission changes.

In Chicago, within 6 miles of one another, we have four acute care hospitals, and a short distance away, we have a naval hospital at Great Lakes. Two of those hospitals do sophisticated open heart surgery. Clearly, we can have one of those hospitals, perhaps, do open heart surgery. Not only from an economic perspective can we save money that can be applied to outpatient care, but certainly the quality of care would be increased because we would have a center of excellence.

I really do believe we have to look at those issues, as well as get out the word of all the good things we are doing for veterans. I can assure you that we will.

Senator SIMPSON. Thank you very much.

Mr. PRINCIPI. If I may just add one further point, I just want to say that I appreciate all of the assistance that Tom Harvey, my predecessor, both on this committee when I served as chief counsel for Senator Simpson, and as the Deputy Administrator, has been extraordinarily gracious to me and to Ed Derwinski in affecting a very smooth transition. He is a true professional, a true class individual, and he has served veterans with great dignity. We owe a great deal of thanks to him, and I just want to say for the record that I know that I and Ed Derwinski wish him very well.

Senator SIMPSON. Very appropriate.

Mr. PRINCIPI. Thank you very much.

Chairman CRANSTON. Thank you very, very much. I concur with those statements about Tom, and I am delighted again to have you and your family with us today.

I now want to conclude this very significant day of achievement for our fine committee staff by making a presentation to Ed Scott.

Ed has been a committee general counsel for over 6 years and minority general counsel for 6 other years. His extraordinary, professional, steady, and wise guidance and advice and exceptional and encyclopedic knowledge of veterans law have been of enormous assistance to me and to the entire committee.

In recognition of Ed Scott's long and distinguished service, the Secretary of the Senate has asked me to present Ed with a certificate of recognition and 12-year service pin from the Senate, signed by the Vice President and by the Secretary of the Senate.

Ed, it is a great pleasure to make this presentation to you.

[Applause.]

Mr. SCOTT. Thank you very much.

Chairman CRANSTON. I thank all present—I thank Ed for his wonderful work and I thank you, Tony, for the wonderful work you have done and will do.

We will seek to pull the committee together off the Senate floor at about 2 o'clock.

Senator SIMPSON. Mr. Chairman, may I join you in what you say about Ed. He was very helpful to me when I came here as a freshmen in the minority. He was a very helpful source of material and research and did that for me, regardless of issues of minority or majority status. I have appreciated that.

I certainly join with you in commending the remarks of our nominee with regard to Tom Harvey, a splendid friend. Thank you, sir.

Chairman CRANSTON. Thank you very much, we now stand adjourned.

[Whereupon, at 10:54 a.m., the committee was adjourned.]

APPENDIX

STATEMENT OF SENATOR DeCONCINI
NOMINATION OF TONY PRINCIPI
DEPUTY SECRETARY OF THE DEPARTMENT
SENATE COMMITTEE ON VETERANS AFFAIRS
MARCH 16, 1989

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, REPRESENTATIVES OF THE ADMINISTRATION AND VETERANS' ORGANIZATIONS AND GUESTS.

I ENTHUSIASTICALLY SUPPORT THE NOMINATION OF TONY PRINCIPI TO BE THE FIRST DEPUTY SECRETARY OF THE DEPARTMENT OF VETERANS AFFAIRS. I CAN THINK OF NO MORE QUALIFIED PERSON TO FILL THIS IMPORTANT POST IN THESE CRITICAL TIMES FOR VETERANS.

IN ADDITION TO BEING A HIGHLY DECORATED VETERAN FROM THE VIETNAM WAR, TONY HAS HAD EXTENSIVE EXPERIENCE IN BOTH THE LEGISLATIVE AND EXECUTIVE BRANCHES OF THE GOVERNMENT. IN THE EXECUTIVE BRANCH, TONY HELD THE POST OF ASSOCIATE DEPUTY ADMINISTRATOR OF CONGRESSIONAL AND PUBLIC AFFAIRS AT THE VETERANS' ADMINISTRATION. IN THE LEGISLATIVE BRANCH, TONY SERVED AS COUNSEL TO THE SENATE ARMED SERVICES COMMITTEE AND, LATER, AS REPUBLICAN CHIEF COUNSEL/STAFF DIRECTOR FOR THIS COMMITTEE. TONY'S BROAD GOVERNMENT EXPERIENCE PROVIDE HIM THE APPROPRIATE BACKGROUND AND SKILLS TO BE A SUPERB DEPUTY TO SECRETARY DERWINSKI:

DURING TONY'S TENURE AS STAFF DIRECTOR OF THIS COMMITTEE, I HAD THE OPPORTUNITY TO GET TO KNOW TONY "UP CLOSE AND PERSONAL." TONY WAS ALWAYS WELL INFORMED ON THE ISSUES AND WAS WILLING TO WORK WITH ALL SENATORS IN AN OPEN AND HONEST WAY TO TRY TO FORGE A CONSENSUS. WHILE WE DID NOT ALWAYS AGREE ON THE ISSUES, WE

98-576 0 - 89 - 2

AGREED TO DISAGREE WITHOUT RANCOR AND WITHOUT FEAR OF RECRIMINATIONS. THAT'S THE WAY THE PROCESS SHOULD WORK. I ALSO GOT TO KNOW TONY DURING A COMMITTEE TRIP TO VIETNAM IN 1985 SPONSORED BY SENATOR MURKOWSKI. THE PURPOSE OF THAT TRIP WAS TO SEEK RESOLUTION OF THE POW/MIA ISSUE WITH THE VIETNAMESE. SINCE THE UNITED STATES DOES NOT HAVE DIPLOMATIC RELATIONS WITH THE REPUBLIC OF VIETNAM, THAT WAS AN EXTREMELY DIFFICULT TRIP TO ORGANIZE AND COORDINATE. TONY DID AN OUTSTANDING JOB OF PREPARING AND BRIEFING THE MEMBERS OF THE DELEGATION. DUE IN LARGE MEASURE TO HIS EFFORTS, I BELIEVE THAT WE HAD A SUCCESSFUL CODEL.

I HAVE A GREAT DEAL OF ADMIRATION AND RESPECT FOR TONY BOTH PERSONALLY AND PROFESSIONALLY AND WISH HIM WELL AS HE TAKES ON THIS NEW AND CHALLENGING ASSIGNMENT. QUITE FRANKLY, I DON'T KNOW HOW TONY WAS ABLE TO LURE HIS FAMILY BACK TO WASHINGTON FROM SUNNY CALIFORNIA. I HOPE IT WASN'T ON THE PROMISE OF A BIG PAY RAISE!!!! I HOPE TONY WILL USE SIMILAR POWERS OF PERSUASION TO CONVINCE THIS ADMINISTRATION OF THE REAL UNMET NEEDS CONFRONTING OUR VETERANS TODAY, ESPECIALLY IN THE AREA OF HEALTH CARE. SECRETARY DERWINSKI HAS ALREADY PROMISED THE COMMITTEE THAT HE WILL BE A STRONG ADVOCATE FOR VETERANS. I HOPE YOU WILL BE AS WELL, TONY. THIS SENATOR STANDS READY TO HELP YOU IN ANY WAY HE CAN.

STATEMENT BY SENATOR STROM THURMOND (R-S.C.) BEFORE THE VETERANS AFFAIRS COMMITTEE REFERENCE NOMINATION OF MR. TONY PRINCIPI TO BE FIRST DEPUTY SECRETARY OF VETERANS AFFAIRS, MARCH 16, 1989, SR-418, 9:15 A.M.

MR. CHAIRMAN:

I am pleased to be here this morning for the confirmation hearing of Mr. Tony Principi to be the first Deputy Secretary of the Department of Veterans Affairs.

As most everyone is aware, yesterday was the day the Veterans Administration formally became a Cabinet department. It was a pleasure to attend the special ceremony at the White House on this occasion, and to see the swearing-in ceremony for Secretary Derwinski. I am confident the new Secretary will provide very able leadership for the department.

Working closely with the new Secretary will be the Deputy Secretary. The nominee selected for this latter position--Mr. Tony Principi--brings with him excellent qualifications. A veteran himself, Mr. Principi served as a Naval officer in the Vietnam War after graduating from the Naval Academy. During his service in Southeast Asia, he was awarded the Bronze Star with Combat "V", the Vietnamese Combat Medal, the Vietnamese Service and Campaign Medals, and the Navy Combat Action Ribbon.

After returning from the war, Mr. Principi attended Seton Hall University School of Law and graduated from there in 1975. Subsequently, he provided further service in the Navy, both in San Diego and here in Washington.

In 1981, Mr. Principi began working as counsel to the Armed Services Committee. He later served as Associate Deputy

Administrator at the Veterans Administration, and recently served as Republican Chief Counsel and Staff Director on this committee.

After a short period of service in San Diego last year, I am glad to see him back in Washington as the nominee for Deputy Secretary. He is a very capable and dedicated man. His able leadership and management skills will serve him well in his new post.

Mr. Chairman, I am pleased you have scheduled a vote on his nomination today, and I hope he will confirmed expeditiously.

OPENING REMARKS

ANTHONY J. PRINCIPI

DEPUTY SECRETARY (DESIGNATE) OF VETERANS AFFAIRS

CONFIRMATION HEARING

SENATE VETERANS AFFAIRS COMMITTEE

WASHINGTON, DC

MARCH 16, 1989

**

THANK YOU, SEN. MURKOWSKI, FOR YOUR WARM INTRODUCTION.

MR. CHAIRMAN, I AM HONORED TO APPEAR BEFORE YOU AND THE MEMBERS OF THIS COMMITTEE TODAY AS THE PRESIDENT'S DESIGNEE TO BECOME THE FIRST DEPUTY SECRETARY OF VETERANS AFFAIRS. THANK YOU FOR YOUR KIND WORDS. CALIFORNIA WILL ALWAYS BE OUR HOME AND MY FAMILY AND I ARE PRIVILEGED TO KNOW OUR SENIOR SENATOR.

BEING ASKED BY THE PRESIDENT TO TAKE ON THIS POSITION IS CERTAINLY THE HIGHLIGHT OF MY GOVERNMENT SERVICE ...

... BUT THE TIME I SPENT WORKING WITH THE MEMBERS OF THIS COMMITTEE, AND ESPECIALLY ALL MY COLLEAGUES ON THE STAFF, WILL ALWAYS BE REMEMBERED AS SOME OF THE MOST CHALLENGING AND REWARDING EXPERIENCES OF MY LIFE.

••

THIS APPOINTMENT IS A DOUBLE HONOR FOR ME IN THAT, NOT ONLY HAVE I BEEN AFFORDED THIS OPPORTUNITY, BUT ALSO THAT I AM PRIVILEGED TO SERVE WITH ED DERWINSKI.

IN THE SHORT TIME WE'VE BEEN TOGETHER, SECRETARY DERWINSKI AND I HAVE ESTABLISHED A GOOD WORKING RELATIONSHIP AND A CLOSE PERSONAL RAPPORT. HE HAS MADE IT CLEAR THAT WE MUST BE ADVOCATES FOR THE NATION'S VETERANS. AND EARLY ON HE HAS DEMONSTRATED HIS COMMITMENT TO THIS GOAL.

HE IS A MAN OF NO LITTLE EXPERIENCE IN THESE CHAMBERS, HONEST AND FORTHRIGHT, COMPASSIONATE AND GENUINE, AND I LOOK FORWARD TO SERVING WITH HIM ON BEHALF OF AMERICA'S VETERANS.

THERE ARE SOME OTHER PEOPLE THAT I MUST THANK, FOR WITHOUT THEIR LOVE AND SUPPORT, I PROBABLY WOULD'NT BE SITTING HERE BEFORE YOU TODAY.

I WANT TO THANK THE MOORE FAMILY WHO HAVE MADE THE TRANSITION BACK INTO THE D.C. AREA SO MUCH EASIER THAN IT OTHERWISE WOULD HAVE BEEN.

AND I'D LIKE TO SAY THANK YOU TO JUDGE WILLIAM COOK, AN INFLUENTIAL FIGURE IN MY LIFE, AND THE MAN WHO MADE ME UNDERSTAND THE VALUE AND IMPORTANCE OF PUBLIC SERVICE.

TO MY THREE SONS, TONY, RYAN AND JOHN, I SAY THANK YOU FOR YOUR PATIENCE AND FOR YOUR UNDERSTANDING WHEN MY WORK TOOK ME AWAY FROM OUR HOME IN SAN DIEGO.

I HOPE THAT THIS NOMINATION AND MY APPEARANCE BEFORE THIS COMMITTEE TODAY WILL SOMEHOW SERVE AS A BEACON FOR YOU AS YOU BEGIN TO CHART YOUR OWN COURSES INTO MANHOOD AND CAREERS.

MOST OF ALL, MY THANKS AND MY LOVE TO MY WIFE ELIZABETH, WHO IS THE ONE PERSON WHO HAS LITERALLY MADE THIS POSSIBLE. THE UNDERSTANDING AND SUPPORT FOR MY CAREER THAT SHE HAS SHOWN THROUGHOUT OUR MARRIAGE IS THE FOUNDATION FOR ALL THAT WE HAVE ACCOMPLISHED, AND FOR ALL THAT WE HOPE TO DO IN THE FUTURE.

••••••

THE DEPARTMENT OF VETERANS AFFAIRS IS A SYSTEM WHICH IS SECOND TO NONE IN THE FEDERAL GOVERNMENT IN THE DELIVERY OF BENEFITS AND SERVICES.

IT IS BUILT ON A FOUNDATION OF CARING AND COMMITMENT OF THE AMERICAN PEOPLE, AND IT IS BUTTRESSED BY A SPIRIT OF VOLUNTARISM WHICH MAKES IT THE MODEL FOR ALL FEDERAL PROGRAMS.

WE OWE A GREAT DEAL TO THE CONTRIBUTIONS OF THE VETERANS SERVICE ORGANIZATIONS (VSOs). THEY HAVE PROVEN THEIR WILLINGNESS TO WORK WITHIN THE SYSTEM, AS PART OF THE TEAM ...

....AS THEY DID A FEW YEARS BACK WHEN THE VSOs WERE THE FIRST AND ONLY GROUPS TO STEP FORWARD TO SAY THEY WOULD SUPPORT FREEZING COLAs ON VA COMPENSATION AND PENSIONS TO HELP REDUCE DEFICIT SPENDING ...

... AND ASKED ONLY THAT THE FREEZE BE APPLIED EQUITABLY AND UNIFORMLY ACROSS ALL FEDERAL PROGRAMS.

THE SECRETARY AND I LOOK FORWARD TO WORKING WITH THEM, AND WE'LL NEED THEIR SUPPORT, BECAUSE WE FACE SOME FORMIDABLE CHALLENGES. THIS DEPARTMENT IS AT A CROSSROADS, AND WE MUST BE REALISTIC ABOUT THAT.

IN MY VIEW WE ARE FACED WITH A FINANCIAL CRISIS IN OUR MEDICAL CARE PROGRAM. INCREASED DEMANDS ARE BEING PLACED UPON OUR SYSTEM. AND THOSE DEMANDS ARE CONSTANTLY CHANGING. WE ARE CONFRONTED WITH AN EVER-WIDENING ARRAY OF CHALLENGES ...

... FROM HEALTH CARE FOR THE AGING AND THE EFFICIENCY OF THE HOME LOAN GUARANTY PROGRAM ...

... TO THE TOPICAL ISSUES OF AIDS, AGENT ORANGE, PTSD, AND THE HOMELESS. IN THE PAST, THE CONGRESS HAS MADE SOME OF THE TOUGH DECISIONS FROM THE MEANS TEST TO MUCH NEEDED REFORM IN THE HOME LOAN PROGRAM.

WITH THE VA TAKING ITS SEAT AT THE CABINET TABLE WE HAVE A TWO-FOLD RESPONSIBILITY TO ARTICULATE THE NEEDS OF OUR VETERANS AND TO MAKE SOME OF THE TOUGH DECISIONS FACING OUR DEPARTMENT. AND WE WILL HAVE TO MAKE SOME VERY TOUGH DECISIONS, AND MAKE THEM SOON.

WE ARE OPERATING UNDER A PROJECTED SHORTFALL -- OUR RESOURCES ARE LIMITED AND PRECIOUS. WE MUST ALLOCATE THEM WISELY, USE THEM AS EFFECTIVELY AS POSSIBLE. WE MUST CLARIFY OUR OBJECTIVES AND CONDUCT AN INTENSIVE MANAGEMENT REVIEW OF ALL OF OUR SYSTEMS.

BUT MOST IMPORTANTLY, WE MUST ENSURE THAT EVERY ACTION WE TAKE ACTS AS A LENS WHICH HELPS US FOCUS ON THE CENTRAL QUESTION: HOW DOES THIS HELP THE VETERAN?

WE MUST MAINTAIN THAT FOCUS, AT EVERY LEVEL THROUGHOUT THE VA. WE CANNOT SUSTAIN PROGRAMS WHICH HAVE BECOME SELF-PERPETUATING, OR THOSE WHICH HAVE BECOME INEFFECTIVE OR OUTLIVED THEIR USEFULNESS.

WE MUST CONTINUALLY GO BACK TO THAT "BOTTOM LINE" -- HOW DOES THIS HELP THE VETERAN? -- AND PUT OUR RESOURCES TO WORK WHERE WE CAN GET THE MOST OUT OF THEM IN DELIVERING THE BENEFITS AND SERVICES WHICH THE CONGRESS HAS MANDATED.

I LOOK FORWARD TO WORKING CLOSELY WITH THE CONGRESS, AND JUST AS THAT BODY HAS DEMONSTRATED ITS COMMITMENT TO THE VA AND OUR PROGRAMS ...

... SO TOO WOULD I LIKE TO MAKE A PERSONAL COMMITMENT TO THE MEMBERS OF THIS COMMITTEE AND YOUR COLLEAGUES IN THE CONGRESS.

AS I WAS "GROWING UP IN THE SENATE," I LEARNED THAT THE WAY YOU GET THINGS DONE IS THROUGH COMMUNICATION, COMPROMISE, AND JUST PLAIN HARD WORK. I INTEND TO APPLY THOSE PRINCIPLES AT THE VA ...

... AND I STATE NOW FOR THE RECORD THAT I HOLD MYSELF ACCOUNTABLE ...

- TO THIS COMMITTEE FOR THE TRUST WHICH YOU HAVE SHOWN IN ME

- TO THE CONGRESS WHICH PROVIDES THE FUNDING FOR THE PROGRAMS WE ADMINISTER

- TO THE AMERICAN PEOPLE WHO, THROUGH THEIR ELECTED REPRESENTATIVES AND WITH THEIR HARD-EARNED TAX DOLLARS, HAVE SUPPORTED A VAST ARRAY OF PROGRAMS FOR OUR VETERANS

- AND MOST OF ALL TO THE VETERANS, THE MEN AND WOMEN FOR WHOM THESE PROGRAMS WERE CREATED

... TO ALL OF YOU, I HOLD MYSELF ACCOUNTABLE AND PLEDGE TO DO THE VERY BEST THAT I CAN TO GET THE MOST OUT OF THIS EXTRAORDINARY SYSTEM THAT AMERICA HAS CREATED ...

... TO GIVE BACK TO OUR VETERANS SOME OF WHAT THEY HAVE GIVEN TO ALL OF US.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

PART I: ALL THE INFORMATION IN THIS PART WILL BE MADE PUBLIC

Name: Principi (LAST) Anthony (FIRST) Joseph (OTHER)

Present address: 7002 Native Dancer Court Fairfax Station, VA (CITY) (STATE) 22039 (ZIP CODE)

Position to which nominated: Deputy Secretary

Date of nomination: March 6, 1989

Date of birth: 16 (DAY) April (MONTH) 1944 (YEAR) Place of birth: New York City, New York

Marital status: Married Full name of spouse: Elizabeth Ahlering Principi

Names and ages of children: Anthony - 15
Ryan - 12
John - 10

Education:

Institution (including city and State)	Dates attended	Degrees received	Dates of degrees
Mount Saint Michael Academy New York City, NY	1958-1962	H.S. Diploma	June 1958
New Mexico Military Institute Roswell, NM	1962-1963		
U. S. Naval Academy Annapolis, MD	1963-1967	B.S.	June 1967
Seton Hall Univ. Law School Newark, NJ	1972-1975	J.D.	May 1975

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

New Mexico Military Institute - Scholarship
Seton Hall University School of Law - Scholarship
Bronze Star with Combat "V"

(Three) Navy Commendation Medals with Combat "V"

Vietnamese Combat Medal

Vietnamese Service and Campaign Medals

Navy Combat Action Ribbon

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Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable, and other organizations for the last five years and any other prior memberships or offices you consider relevant.

Organization	Office held (if any)	Dates
American Bar Association	Military Law Section Chairman, Legislation Subcommittee	1983-1986
American Legion		1985-Present
VFW		1985-Present

Employment record: List below all employment (except military service) since your twenty-first birthday, including the title or description of job, name of employer, location of work, and inclusive dates of employment.

Legislative Assistant N.J. State Senator A. Scardino, Trenton, NJ	1973-1975
Counsel Senate Armed Services Committee, Wash., DC	1981-1983
Associate Deputy Administrator, Congressional & Public Affairs, Veterans Administration, Wash., DC	1983-1984
Republican Chief Counsel/Staff Director Senate Veterans Affairs Comm., Wash., DC	1984-1988
General Counsel Navy Broadway Complex Office, San Diego, CA	1988-1989

Military service: List below all military service (including reserve components and National Guard or Air National Guard), with inclusive dates of service, rank, permanent duty stations and units of assignment, titles, descriptions of assignments, and type of discharge.

USS J.P. Kennedy Jr. (DD-850), Newport, R.I., Ensign,	1967-1969
River Patrol Squadron 5, Tra Cu, Vietnam, Lt.,	1969-1970
Naval Education & Trng Center, Newport, R.I., Lt.,	1970-1972
Naval Legal Service Office, San Diego, CA, LCDR.,	1975-1977
Commander, Training Command, US Pacific Fleet, S.D., CA, LCDR,	1977-1979
Office of Legislative Affairs, Wash., DC, CDR.,	1979-1981

Government experience:

List any advisory, consultative, honorary, or other part-time service or positions with Federal, State, or local governments other than those listed above.

None

Published writings:

List the titles, publishers, and dates of books, articles, reports, or other published materials you have written.

None

Political affiliations and activities:

1. List all memberships and offices held in and financial contributions and services rendered to any political party or election committee during the last 10 years.

Republican Party - $2,000.00

2. List all elective public offices for which you have been a candidate and the month and year of each election involved.

None

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association, or organization if you are confirmed by the Senate.

I have severed all connections with my previous employer.

2. State whether you have any plans after completing government service to resume employment, affiliation, or practice with your previous employer, business firm, association, or organization.

No

3. What commitments, if any, have been made to you for employment after you leave Federal service?

None

4. (If appointed for a term of specified duration) Do you intend to serve the full term for which you have been appointed?

N/A

5. (If appointed for an indefinite period) Do you intend to serve until the next Presidential election?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements, deferred compensation agreements, or other continuing financial, business, or professional dealings which you have with business associates, clients, or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other financial relationships which constitute potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing, or financial transaction which you have had during the last five years, whether for yourself, on behalf of a client, or acting as an agent, that constitutes a potential conflict of interest with the position to which you have been nominated.

None

4. Describe any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any Federal legislation or for the purpose of affecting the administration and execution of Federal law or policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements involved.)

N/A

Testifying before the Congress

1. Do you agree to appear and testify before any duly constituted committee of the Congress upon the request of such committee?

Yes

2. Do you agree to provide such information as is requested by such a committee?

Yes

United States
Office of Government Ethics
P.O. Box 14108
Washington, D.C. 20044

March 8, 1989

Honorable Alan Cranston
Chairman, Committee on Veterans Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Anthony J. Principi, who has been nominated by President Bush for the position of Deputy Secretary of the Department of Veterans Affairs.

We have reviewed the report and have also obtained advice from the Veteran's Administration concerning any possible conflict in light of the soon-to-be Department's functions and the nominee's proposed duties. Based thereon, I believe Mr. Principi is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Donald E. Campbell

Donald E. Campbell
Deputy Director

Enclosure

ALAN CRANSTON, CALIFORNIA, CHAIRMAN

SPARK M. MATSUNAGA, HAWAII
DENNIS DeCONCINI, ARIZONA
GEORGE J. MITCHELL, MAINE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
BOB GRAHAM, FLORIDA

FRANK H. MURKOWSKI, ALASKA
ALAN K. SIMPSON, WYOMING
STROM THURMOND, SOUTH CAROLINA
ARLEN SPECTER, PENNSYLVANIA
JAMES M. JEFFORDS, VERMONT

JONATHAN R. STEINBERG, CHIEF COUNSEL/STAFF DIRECTOR
ALAN C. FYAR, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 8, 1989

C. Boyden Gray, Esquire
Counsel to the President
The White House
Washington, D.C. 20500

Dear Boyden,

You will recall that we had a rather detailed discussion on February 3 about access to FBI reports on Presidential nominations referred to the Committee on Veterans' Affairs for consideration.

At that time, I expressed my strong view that the policy that had obtained during the Carter Administration should be followed and that appropriately cleared and specifically designated staff for the Majority and the Minority -- and no other staff -- should be afforded access to those reports in the same way as are Committee members at present. I further told you that although I was not going to insist on that access for the Derwinski nomination I would do so for future nominations.

I am writing today to make my position totally clear. Our Committee has received the nomination of Anthony J. Principi of California to be Deputy Secretary of Veterans Affairs. Because Tony is personally very well known and fully acceptable to me by virtue of his service as Staff Director and Chief Counsel and Minority Staff Director and Chief Counsel of this Committee, because Ed Derwinski has requested me to do everything possible to move swiftly with this nomination, and because I believe the VA needs to have Tony in place as soon as possible to work with Ed Derwinski in taking charge of the new Department, I have decided to proceed with that nomination very expeditously in order to achieve confirmation before the March recess begins on March 17 even though an arrangement for appropriate, limited Committee staff access to FBI reports has not be reached.

However, I want you and the President to know that I will not proceed with any further Executive Branch nominations referred to this Committee until such an arrangement is agreed to.

With warm regards.

Cordially,

Alan Cranston
Chairman

cc: Honorable Frank Murkowski
Honorable George Mitchell
Honorable Edward J. Derwinski

PARALYZED VETERANS
OF AMERICA
Chartered by the Congress
of the United States

STATEMENT OF

GORDON H. MANSFIELD, ASSOCIATE EXECUTIVE DIRECTOR

FOR GOVERNMENT RELATIONS

PARALYZED VETERANS OF AMERICA

BEFORE THE

SENATE COMMITTEE ON VETERANS' AFFAIRS

CONCERNING THE

NOMINATION OF ANTHONY J. PRINCIPI

AS

DEPUTY SECRETARY OF VETERANS AFFAIRS

MARCH 16, 1989

Mr. Chairman and Members of the Committee, it is an honor to speak today on behalf of the members of Paralyzed Veterans of America. I am grateful for the opportunity to present PVA's views concerning the nomination of Mr. Anthony J. Principi to be the first Deputy Secretary of the newly established Department of Veterans Affairs.

Mr. Principi is well known to our organization. Having served as the Chief Counsel/Staff Director of this Committee under both Senator Alan Simpson and Senator Frank Murkowski, PVA has had the opportunity to work with Mr. Principi on virtually every issue of concern to our Nation's veterans.

801 Eighteenth Street, N.W., Washington, D.C. 20006 (202) USA-1300 Fax: (202) 785-4452

There is no doubt that Mr. Principi has the knowledge and experience regarding veterans' issues to hold him in good stead as he steps to the helm of a deeply troubled agency.

After graduation from the U.S. Naval Academy, Mr. Principi served in Vietnam as a Unit Commander of a River Patrol Force. He received many decorations for admirable service to his country during the Vietnam War. PVA believes it is important that the second in command of the Department of Veterans Affairs be a veteran and we find Mr. Principi exceptionally well qualified in this regard. If confirmed, Mr. Principi will become a highly visible and regarded advocate for veterans. Mr. Principi's experience as a veteran will be a tremendous asset to veterans and the Department which he will help manage.

As the Deputy Secretary for Veterans Affairs, Mr. Principi will have the opportunity to represent veterans before the Congress, the Executive Branch and the Nation. We believe Mr. Principi has the ability to do so in an exemplary manner. His years spent on Capitol Hill as Chief Counsel for the Committee on Veterans' Affairs, Counsel to the Chairman of the Senate Committee on Armed Services and as an Associate Deputy Administrator at the Veterans Administration from 1983-84, have garnered him the unique perspective of a Senior staff person regarding the structure and function of virtually every veterans' program and service. There is no doubt that after devoting his entire career in service to first, his country, and then to veterans that Mr. Principi has the dedication and commitment to be an aggressive and informed advocate on behalf of the veteran constituency he will serve.

One of the major reasons PVA advocated so strongly for elevation of the VA to a Cabinet level department was because we believed that such elevation would go far towards improving the management and accountability of the VA, a large agency which is tasked with meeting the needs of a diverse population. There is no doubt that the effectiveness of the new Department will be measured by the quality of the personnel it employs and the service it renders.

When we testified before this Committee regarding the confirmation of Secretary Derwinski, we stressed the importance of augmenting the Department with appointees who are experienced managers. PVA believes that to effectively manage a Department the size and scope of the Department of Veterans affairs, the Secretary must have in place knowledgeable, dedicated and experienced staff. Mr. Principi possesses all of these qualifications. Now, together with Secretary Derwinski, he will have to meet the complex task of recruiting and appointing exceptional managers to fill the ranks of positions throughout the Department of Veterans Affairs.

PVA believes whether a position to be filled is a political appointment or benefits counselor, nurse, medical center director or any position, the veterans of this Nation deserve the highest caliber of individual to provide efficient and professional service. What veterans want in their new Department is accountability because accountability leads to better service to veterans and that is the mission of the Department of Veterans Affairs. Yet, at this time, service to veterans is at an all time low. It will be a great challenge for Mr. Principi to establish a firmer base from which the Department can transform itself. PVA believes this base can only be built if the Agency revamps its management structure and philosophy.

We encourage Mr. Principi to provide his subordinates with both the authority and responsibility to make decisions and end the seemingly endless vacillations which currently plague the Department.

PVA looks forward to working with Mr. Principi, if confirmed, as Deputy Secretary of Veterans Affairs. We are happy that the President has put his faith in Mr. Principi's abilities and we offer our full support of his nomination. We believe that Mr. Principi possesses the attributes and qualifications to be an aggressive advocate for veterans, the Department and its employees. PVA will be happy to work in concert with Mr. Principi, as we have done in the past, as we all must collectively address the many hard decisions that must be made in the coming months ahead.

Mr. Chairman and Members of the Committee, this concludes my remarks and I will be happy to respond to any questions the Committee may have.

Vietnam Veterans of America, Inc.
2001 S St., NW
Suite 700
Washington, DC 20009-1125

(202) 332-2700

Statement of

VIETNAM VETERANS OF AMERICA, INC.

Presented By

MARY R. STOUT
NATIONAL PRESIDENT

Before the

SENATE VETERANS AFFAIRS COMMITTEE

March 16, 1989

Mr. Chairman and members of the Committee, the Vietnam Veterans of America, Inc. (VVA) appreciates this opportunity to express its views on the nomination of Anthony J. Principi to serve as Deputy Secretary of the newly elevated Department of Veterans Affairs (DVA). We have worked closely with Mr. Principi during his tenure as Chief Counsel and Staff Director and later as Minority Chief Counsel and Staff Director of the Senate Veterans Affairs Committee. In our dealings with Mr. Principi, the VVA has had occasion to both agree and disagree on selected issues in the realm of veterans affairs, but we have never had any reason to doubt either his abilities or his honesty and integrity.

These latter personal traits make the nomination of Mr. Principi especially promising. Added to this, the Deputy Secretary designate possesses a wealth of experience and a detailed knowledge of even the most technical details of most veterans matters. There is little doubt that this experience and knowledge will offer a needed complement to the leadership that can be expected from Secretary Derwinski.

As stated in our presentation to this committee at its hearings on the nomination of Mr. Derwinski, the most pressing issues facing the DVA cannot be resolved without the kind of dedicated leadership that is unafraid of making key and sometimes unpopular decisions. Unfortunately, the DVA has lacked decision-making leadership on most critical issues

other than those that were designed to make fiscal reductions no matter which veterans were affected and regardless of the agency's mission. This has been most especially true of the DVA's health system.

Other areas in need of examination and corrective decision-making include the home loan program, the provision of due process in claims adjudication at DVA Regional Offices and most certainly provision of thoughtful rather than speedy appellate decision-making at the Board Veterans Appeals.

In making these points we say again, as we stated at the confirmation hearing of Secretary Derwinski, that the need for rational decisions on key veterans issues is more important than the particular individuals making these decisions. After having said that, we are hopeful that Deputy Secretary Designate Principi's background and experience will make him well suited to the tasks that lie ahead.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

March 10, 1989

Honorable Alan Cranston
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Enclosed please find my responses to the pre-confirmation hearing questions forwarded with your letter of March 7, 1989.

Sincerely yours,

Anthony J. Principi
Deputy Secretary-designate

Enclosures

1. A. What specific discussions have you had with the Secretary regarding the responsibilities you would have if confirmed as the Deputy Secretary?

B. Are there any particular areas in which you will be focusing particularly?

C. Are there any particular areas in which you will be assigned primary responsibility?

Answers

A. Secretary Derwinski and I have had numerous discussions regarding my specific duties as Deputy Secretary of the Department of Veterans Affairs. Although Sec. 3(a) of Public Law 100-527 states that "The Deputy Secretary shall perform such functions as the Secretary shall prescribe", Secretary Derwinski has assured me that he and I will work closely together as a team "to maximize our managerial expertise to the benefit of the Department and our Nation's veterans." Secretary Derwinski and I already have established an excellent working relationship and close personal rapport. I am confident that, if confirmed, I will assume significant management and policy responsibility as part of Secretary Derwinski's team.

B. I am keenly interested in all issues affecting veterans who served in our Nation's armed forces. However, based on my particular background as a Vietnam combat veteran, I am acutely aware of the special concerns of Vietnam veterans. Therefore, I envision assuming responsibility for dealing with the major issues of concern to Vietnam veterans. As a former Staff Director and General Counsel of the Senate Veterans' Affairs Committee, I anticipate working closely with the Congress and the veterans service organizations on all issues of mutual concern. I also expect to be actively involved in the VA home loan guaranty program, specifically in the selling of VA's portfolio of vendee loans, the solvency of the loan guaranty revolving fund and other related issues.

C. At this point in time, Secretary Derwinski and I have not had sufficient opportunity to discuss which areas of primary responsibility will be assigned to the Office of the Deputy Secretary. If confirmed, my primary responsibilities will in all likelihood be a function of my particular expertise and interests.

2. What would your role be in policy-making decisions at the department?

Answer

Secretary Derwinski has assured me that we will function as a management team and that I will be fully involved in the policy-making process for the new Department of Veterans Affairs.

3. As you know, section 220 of title 38 requires the Secretary to seek to achieve maximum feasible effectiveness, coordination, and interrelationship of services among all Federal programs and activities affecting veterans and to promote actively the effective implementation of all provisions of law and regulations providing for special consideration, emphasis, or preference for veterans. As you also know, I have never believed that Administrators have generally devoted adequate attention to carrying out this mandatory responsibility.

A. If confirmed as Deputy Secretary, what do you perceive your responsibilities would be with respect to this requirement?

B. Do you think this would be an appropriate assignment for you, and would you discuss with Administrator Derwinski whether you might be assigned particular responsibility in carrying out this requirement?

Answers

A. Based on my professional background and work experience as a senior manager in both the executive and legislative branches, I am confident that I can assist in effectively promoting the requirements of section 220 of title 38. Coordination of services and activities among federal programs for our Nation's veterans will be one of this Department's objectives under the leadership of Secretary Derwinski.

B. If, in my future meetings with Secretary Derwinski, he determines that I should be responsible for assuring the coordination and interrelationship of Federal programs under section 220, I believe that I possess the experience and qualifications to carry out this mandatory responsibility.

4. In a January 20, 1986 letter to me, former Administrator Harry Walters noted that, as Administrator, it was his "responsibility to be the advocate for our Nation's 28 million veterans." He said, "Without advocates in the Administration and the Congress, those benefits our veterans, their widows and orphans have earned will ultimately be lost. Veterans are special and must be treated with dignity, compassion, and respect."

A. What are your thoughts on these characterizations of the Secretary's role and of veterans?

B. Would you similarly characterize the Deputy's responsibilities?

Answers

A. I was privileged to serve Administrator Harry Walters as the Associate Deputy Administrator for Congressional and Public Affairs for __ years, and I am personally aware of his commitment as a strong advocate for our Nation's veterans.. I, too, share his sense of mission to be a strong advocate for veterans and their dependents because they have willingly paid the price for freedom. Our citizens and their elected officials are deeply indebted to thos who have sacrificed so much.

B. I would similarly characterize the Deputy Secretary's responsibilities and pledge my support to be an able and effective advocate for all of our veterans.

5. It is my expectation that, because you are a Vietnam combat veteran, you will be identified by many within and outside of the VA as the principal person in a top management position within the department with expertise on, and particular responsibility for, issues related to Vietnam-era veterans.

A. (i) Is it planned that you would serve as the focal point in the Secretary's office for Vietnam veterans' issues?

(ii) Are you satisfied that your interest, concerns, and background will be utilized appropriately with respect to issues regarding Vietnam-era veterans?

Answers

5. A. (i) I expect that as a Vietnam combat veteran many people will, no doubt, see me as the focal point for issues related to Vietnam-era veterans. I, obviously, have an interest and will be involved in these issues. As the Deputy Secretary, however, I expect to be involved in issues that impact on all of our nation's veterans -- not just Vietnam-era veterans.

5. A. (ii) Yes. I have discussed this concern with the Secretary, and I believe that my military background as well as my experience in the legislative and executive branches of government will be utilized appropriately.

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5. B. Could you give us your views on the overall status of Vietnam-era veterans in terms of their needs for assistance in the areas of readjustment, employment, education, and health care, including your views on any differences with respect to those needs deriving from their service in Vietnam as such and whether or not they did or did not see combat there? In doing so, would you please take into account the findings of the Research Triangle Institute, Inc., that 479,000 Vietnam Veterans annually have post traumatic stress disorder (PTSD) and 350,000 Vietnam veterans currently have significant symptoms of PTSD.

Answers

5. B. I believe that the vast majority of Vietnam-era veterans have made a smooth transition back to civilian life. Data indicates that Vietnam-era veterans have both a higher median education level and a higher median income than their non-veteran peers. Vietnam-era veterans have also taken advantage of GI bill education and training opportunities in record numbers. The participation rate for Vietnam-era veterans exceeds 66 percent, well over the 51 percent participation rate for World War II veterans and the 43 percent participation rate for the Korean conflict veterans. As the median age of Vietnam-era veterans increases, we also are seeing these veterans make greater use of the VA healthcare system. Notwithstanding that the vast majority of Vietnam-era veterans have made a smooth transition, we must be mindful of those who have not. We must be sensitive to their needs and structure our programs accordingly.

With regard to whether or not a veteran's needs derive from his or her service in Vietnam or whether or not they saw combat there, I understand that the RTI study on PTSD includes a detailed assessment of war zone stress exposure. As regards PTSD specifically, I believe actual combat or exposure to other war stressors, rather than service in Southeast Asia or the military per se, must be considered as principal factors in evaluating care and treatment. I consider all veterans who served in the Republic of Vietnam, whether they served in Saigon or in the DMZ, to be combat veterans. Clearly, those who saw heavy combat action need our special assistance. While I have not had the opportunity to review the RTI study thoroughly, I intend to do so. The study merits a good deal of further analysis.

5. C. (i) With specific reference to the Agent Orange issue, do you believe that you were exposed to Agent Orange during your service in Vietnam?

(ii) What further actions do you believe the Federal Government should be taking at this time in the area of health care, studies and compensation to address the continuing concerns of Vietnam veterans -- men and women -- about their exposure to Agent Orange?

Answers

5. C. (i) I cannot say with any degree of certainty that I was exposed to Agent Orange. I do know that during my tour of duty in Vietnam, I, like many others, served in areas where the defoliant was sprayed.

5. C. (ii) The VA continues the search for answers to the possible adverse health effects of exposure to Agent Orange and related toxic chemicals. Certain studies, such as the VA's "Porportionate Mortality Study of US Army and US Marine Corps Veterans of the Vietnam War" and the National Cancer Institute's study of Kansas farm workers -- both of which indicated an increased risk of non-Hodgkin's lymphoma in the study populations -- yielded results which hint at the need to do additional research. Accordingly, the VA is in the process of doing additional mortality-related followup studies to confirm the findings of the major mortality study. I intend to remain objective and to keep an open mind on this subject.

The issues related to possible adverse health effects arising from veterans' exposure to Agent Orange have been some of the most emotional and controversial issues confronting the Veterans Administration. The questions that have been raised about the potential health effects of Agent Orange are scientific ones; they require scientific research and analysis. They are not susceptible to quick and easy answers. Since Agent Orange first came to public attention in the late 1970's, the federal government has spent almost $100 million on research which has led to a greater understanding of the health effects of Agent Orange exposure and how best to address the needs of those veterans who may have been exposed to this herbicide.

I believe that we must continue working to ensure that all appropriate efforts are made to try to find answers to the questions raised regarding long-term health effects. I look forward, for example, to seeing the final report of the Centers' for Disease Control Special Cancer Study. Until we have the complete picture, I continue to support the provision of medical care and services, as provided for under Public Law 97-72, to eligible Vietnam veterans whose conditions may possibly be related to exposure to Agent Orange notwithstanding the absence of any scientific evidence of a causal association.

5. D. (i) Do you believe that the VA has been sufficiently responsible to the needs of Vietnam veterans suffering from PTSD?

(ii) The Administrator, in our budget hearing on March 6, testified that he agreed with me that care for PTSD should be a "high priority" for the VA. Do you agree?

(iii) What thoughts do you have for any needed improvements in this area and how to make them?

(iv) In light of the findings in the RTI study I cited in question 5.B., and the RTI findings that more than half of those who have a high degree of PTSD symptoms have never received any care for their condition, what steps do you believe the VA can and should take to reach out to those veterans?

Answers

5. D. (i) Since my return to the Veterans Administration, I have been briefed on the recently released study conducted by Research Triangle Institute on the readjustment problems of Vietnam veterans. It was a comprehensive study and contains a great deal of data. Program staff in the VA's Department of Medicine and Surgery are now reviewing that data and attempting to translate the report findings into program planning and budget projections. Based on this type of detailed analysis, we will review what more can and should be done to provide treatment for those suffering from PTSD.

5. D. (ii) Yes. The care and treatment of any service-connected disability should be, and is, of highest priority for the VA.

5. D. (iii) I would prefer to defer my answer until DM&S has completed the detailed analysis that I referred to in 5. D (i) above.

5. D. (iv) Again, I would prefer to defer my answer until DM&S has completed the analysis that I referred to in 5. D (i) above.

5. E. You have in the past expressed strong views on the Vet Center program. Specifically, what do you think should be the future of this program in terms of size and numbers of centers, and do you favor retaining the store-front vet centers, as the Reagan Administration chose to do last year, to provide readjustment counseling services to Vietnam-era veterans?

Answers

5. E. The Congress has spoken on this issue. I will ensure that adequate resources are made available to fulfill the mission of the vet center program.

5. F. (i) One concern that many Vietnam-era veterans express involves what they characterize as the VA's lack of responsiveness to the needs of homeless veterans. Do you have any views as to what the department should do in response to the needs of homeless veterans?

(ii) Do you believe that there are data to demonstrate a reduced demand for readjustment counseling services?

(iii) Would you favor making readjustment counseling, whether at Vet Centers or in other VA facilities, available to (I) other war veterans, (II) veterans of armed hostilities such as Lebanon or Grenada, and (III) active-duty personnel?

(iv) Do you favor the VA complying aggressively with its responsibility under the McKinney Act to survey all its real property and to identify properties which are suitable for use to assist homeless individuals?

(v) If confirmed, would you agree to look into whether or not the VA has been complying aggressively with its responsibility in this regard?

Answers

5. F. (i) I believe that the VA has been responsive to the needs of homeless veterans. The VA has a comprehensive network of health care services and a broad range of benefits for veterans. Many of these services, although not specifically designed for the homeless, have assisted homeless veterans or have prevented them from becoming homeless. In addition, the VA has initiated two special programs (the Pilot Homeless Chronically Mentally Ill Program and the Domiciliary Care for Homeless Veterans Program) that were specifically developed to offer health care and rehabilitation services to homeless veterans. Special efforts, including outreach and information and referral activities have also been undertaken by VA regional offices. Chairman Cranston noted these initiatives and commended the VA for its efforts on behalf of the homeless when he introduced S.405 on the floor of the Senate on February 9.

5. F. (ii) No. Results of the National Vietnam Veterans Readjustment Study suggest that a significant minority of Vietnam veterans continue to exhibit some symptoms of PTSD. To the extent that any of these veterans are kept from leading fulfilling, productive lives, I believe we must continue to provide the necessary healthcare services.

5. F. (iii) (I) Yes. Veterans of World War II and Korea, with psychological or emotional problems related to their experiences in a war zone, are currently receiving treatment at VA medical centers and outpatient clinics. The Chief Medical Director's Special Committee on Post-Traumatic Stress noted in its third annual report that 30 percent of all PTSD cases treated in VA outpatient programs affected veterans outside the Vietnam era (22 percent from World War II, 5 percent from the Korean conflict).

5. F. (iii) (II) Yes.

5. F. (iii) (III) No. Active duty military personnel have at their disposal a full array of healthcare services, to include counseling services.

5. F. (iv) Yes. We have provided listings of underutilized properties to the Department of Housing and Urban Development and are currently responding to HUD's suitability determinations. In addition, the VA has initiated efforts under the provisions of Section 9(a) of PL 100-198 to sell VA-acquired foreclosed properties to certain community-based organizations for use as shelters primarily by homeless veterans and their families, in cases where the Administrator determines that the sale would not adversely affect the solvency of the Loan Guaranty Revolving Fund. To date, VA regional offices have identified more than 700 properties nationwide which qualify for this program.

5. F. (v) Yes.

6. It is my strong belief that the cost of veterans' benefits is a continuing cost of providing for our Nation's defense. What are your thoughts on the relationship between defense spending and our national security, on the one hand, and the cost of veterans' benefits, on the other?

Answer

I concur with your belief that the cost of veterans' benefits is a continuing cost of providing for our Nation's defense.

7. In light of your background and expertise with reference to the VA home loan program, I have some questions I would like to raise with you. As you know, this program was established in 1944 as a benefit program to help veterans who might not have developed the credit history needed to obtain a mortgage and thus achieve the American dream of home ownership. As you also know, the loan guaranty program was largely self-sufficient for many years. However, in recent years economic downturns in certain areas of the country have resulted in high foreclosure rates, which, in turn, have created a need for large appropriations in order for the program to remain solvent.

Rather than request such appropriations when needed, however, the Administration, as you know, has instead often chosen other means of raising money. For example, the VA has been required to sell its entire portfolio of vendee loans and to increase its sales of new vendee loans, thereby depleting the VA's income-generating assets and thus depriving the Loan Guaranty Revolving Fund of its most significant long-term source of funding. Moreover, in FY 1988, the VA was required to abandon its guidelines restricting sales of its foreclosed properties by means of auctions and was, instead, required to auction a large number of properties which could have been sold at a higher price through real estate brokers. The forced auctions were required to generate short-term cash flow in order to avoid the need for a budget request for necessary supplemental appropriations.

The Reagan Administration also proposed increases (which the Congress has rejected) in the 1-percent fee veterans currently pay VA-guaranteed loans each year since the fee was enacted, this year proposing an increase to 3.8 percent of FY 1990. It is noteworthy that the Bush Administration has abandoned this discredited proposal.

A. Do you believe the program should be maintained as an entitlement program?

Answer

A. Yes, this benefit program is still needed and is a viable benefit program. The home loan guaranty benefit was originally conceived in 1944 to diminish to the greatest possible extent the economic and sociological problems of post war readjustments of millions of men and women who served in the Armed Forces. Originally the program had a delimiting date which over the years was extended to cover veterans that served during the Korean conflict, the post-Korean era (the "Cold War"), until finally in 1970 the delimiting dates were removed. The program now is for all who serve in the Armed Forces and is an attempt to place veterans on a par with their nonveteran counterparts. This arose out of the view that service in the Armed Forces causes a missed opportunity to establish a credit rating which could be the basis of borrowing to acquire a home. The home loan program assists veterans by making it possible for them to compete in the market place for credit with persons who did not serve in the Armed Forces of the nation.

As you indicated in your question, the loan guaranty program has sustained significant losses which could threaten the integrity of the program. The Congress has made some very difficult decisions to restore program viability. While serving the Senate Committee on Veterans' Affairs, I was pleased to play a small part in that undertaking. As Deputy Secretary of the Department of Veterans Affairs, I will endeavor to work with Congress to seek additional changes to enhance the program and restore self-sufficiency.

I believe that there is a consensus of opinion in the government that the benefit should continue but the question has become how to fund and structure the delivery of the benefit in order to reduce the cost to the Government. We are currently studying this issue and developing alternatives for delivery of the benefit with improvement in the financial status of the program.

7. B. What steps do you believe the VA should take to ensure that the VA is not forced to adopt measures--such as the change in auction policy and the vendee loan sales policy--to increase short-term cash flow which many believe are not in the long-term financial, policy, or other interests of the program?

Answer

B. I do not advocate the disposition of vendee loans or acquired properties regardless of price to meet short-term cash flow problems. The sales of these assets should be viewed in the context of what is appropriate for long-term financial stability of the program.

I believe the VA should aggressively pursue a broad range of initiatives such as improved credit underwriting standards, improved appraisal accuracy at loan origination and at foreclosure, aggressive loan servicing to reduce defaults and, most importantly, the VA should develop new and innovative marketing techniques to reduce the number of properties held nationwide. I believe the Department should continue to aggressively dispose of acquired properties utilizing the well established network of private realtors. The market value of vendee loans is very sensitive to changes in interest rates. Therefore, plans for sales of these loans should be reviewed frequently in light of fluctuations in the financial markets.

7. C. What is your view on the Administration's policy that the VA should sell vendee loans only without recourse and particularly on the implementation of this policy for the long-term finding and stability of the programs?

Answer

As you know, this issue has been of great interest to me. I will fully support the Administration's policy with regard to vendee loans. However, I will not hesitate to express my views to the Office of Management and Budget that the VA should continue to pursue alternatives to selling vendee loans without recourse in the interest of maximizing our returns on the sale of these loan assets.

I do intend to discuss this policy with the Office of Management and Budget and will be pleased to meet with you in the future on this important issue.

8. A. What is your view of the appropriate relationship between the VA's Inspector General and the Congress?

B. Have you discussed with the Administrator whether you will have the responsibility as have prior Deputies, for resolving conflicts between the Inspector General and the operating offices over implementation of recommendations of the Inspector General?

Answers

A. I have always been a strong supporter of the Office of the Inspector General. While under the general supervision of the Secretary, I believe the IG must be free to exercise independent judgment in the conduct of audits, program reviews or investigations to promote economic efficiency and effectiveness in program administration and in the prevention and detection of fraud, waste and abuse. I believe the IG must be able to operate in an environment of independence that allows the communication of resultant findings, recommendations and ideas with the Congress.

B. I have had discussions with Secretary Derwinski on this issue. OMB Circular A-50 requires the agency head to designate a top management official to oversee audit followup, including resolution and corrective action. MP-I, Part II, Chapter 23, "Followup on Office of Inspector General and General Accounting Office Audit Reports," designates the Deputy Administrator (soon to be Deputy Secretary) as the agency followup official.

9. As you know, the Administrator's budget proposes a reorganization plan for eliminating the Office of Program Analysis and Evaluation. If this, in fact, occurs, what are your views on the desirability of contracting with outside entities for carrying out the program evaluation function mandated by section 219 of title 38?

Answer

9. The organizational structure of the entire VA is currently under review. As part of that review, we will carefully evaluate the capability of existing VA organizational elements to accomplish the responsibilities previously assigned to the Office of Program Analysis and Evaluation. As well, we will certainly consider the appropriateness of contracting with outside entities. We will, of course, keep you well advised of the results of our review.

10. I know you have some strong personal views on the VA's health care quality assurance efforts. Are you satisfied with the current status of those efforts both within DM&S, especially in the Quality Assurance Office, and within the Office of the Inspector General?

Answer

VA health care programs must be of the highest quality in order to maintain the confidence of the veterans it serves. The VA has developed a sophisticated system of monitoring the quality of medical services delivered. However, I believe more needs to be done to ensure that resources are available to ensure that VA healthcare is quality healthcare. I will work closely with the Chief Medical Director of the Department of Veterans Affairs and the Inspector General to ensure that our programs receive objective and thorough oversight, that the quality assurance programs of the VA provide an accurate and timely assessment of the care delivered to our patients and that resources dedicated to that effort are adequate.

11. What are your views on the current level of sharing of health care resources between the VA and DoD, and what do you believe should be done, if anything, to increase that level?

Answer

The VA should explore every opportunity to enter into cooperative arrangements with the DoD which enable the VA, the DoD or both to make economical and effective utilization of resources. I believe that more needs to be done in this area. In times of fiscal restraint, increased sharing adds to our capability to provide care to our nation's veterans. Sharing efforts such as the successful Albuquerque, NM venture with the U.S. Air Force enhance both the VA and the DoD's efforts to meet their medical care responsibilities. I will work to ensure that we take maximum advantage of VA/DoD sharing opportunities.

Office of the Secretary
of Veterans Affairs

Washington DC 20420

Department of
Veterans Affairs

APR 5 1989

Honorable Alan Cranston
Chairman, Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510-0501

Dear Mr. Chairman:

I am pleased to provide you with written responses to the questions you posed to me shortly after my confirmation hearing on March 16, 1989. If I may be of further assistance, please do not hesitate to contact me.

Sincerely,

Anthony J. Principi
Deputy Secretary

Enclosures

QUESTION

1.A. You indicated that you have not had the opportunity to review the study thoroughly but that you intend to do so. Would you agree to get back to us by May 1 on your thoughts on the report, including any conclusions you may reach as to what more the VA should be doing to reach and assist veterans with PTSD?

ANSWER:

1.A. The Chief Medical Director's Special Committee on PTSD, in conjunction with VA Central Office Mental Health and Behavioral Sciences Service and Readjustment Counseling Service, is reviewing the NVVRS report and their comments are anticipated in June 1989. I will receive a full briefing upon completion of that review. After I have the benefit of that analysis, I will be pleased to share with you our conclusions with respect to health care services for veterans suffering from PTSD as a consequence of their war-zone experiences.

QUESTION

1.B. You indicated your belief that "Actual combat or exposure to other war stressors, rather than service in Southeast Asia or the military per se" should be the principal factors in evaluating care and treatment issues. Could you please explain further the point you are making by those words in terms of PTSD?

ANSWER

The significance of combat or exposure to other war zone stressors (e.g., seeing the dead and wounded, serving in a field hospital, or serving with a graves registration unit) is tied to the actual diagnosis of Post-traumatic Stress Disorder (PTSD). According to the American Psychiatric Association diagnostic criteria, a person suffering from PTSD must have experienced "an event that is outside the range of usual human experience and that would be markedly distressing to almost anyone." Merely having served in the military or having served in Southeast Asia are not sufficient stressors by themselves. Veterans suffering from PTSD secondary to combat and related war zone stressors are among those whom the VA has a particular mission to serve.

QUESTION

2.A. (I): In answer to subpart #4 of prehearing Question 5.F., you noted that VA Regional Offices have identified more than 700 properties acquired by the VA as a result of foreclosures that could be sold to community-based and other organizations for use as shelters for homeless veterans and their families. Do you know what efforts have been made to advise interested groups of the availability of these properties and otherwise to promote their sale for homeless purposes?

(II): (If not) could you please look into that question and get back to us as soon as possible?

ANSWER

2.A. When the homeless program was established, our field stations were directed to send releases to veterans' service organizations, local government agencies, nonprofit organizations involved with housing the homeless, and real estate brokers. The releases announced the start of this program and the availability of certain properties for purchase by qualified agencies and organizations. In response to a prior question by Senator Cranston, we are asking our field stations to make contact again with those agencies and organizations to determine what aspects of the program, or of their own internal situations, have precluded wider participation in this program. After we receive and review the reports from our field stations about these contacts, we will be in a better position to advise you of the steps VA may be able to take to facilitate additional sales of properties for use by homeless veterans.

ATTACHMENT

Veterans Benefits Administration
Department of Veterans Affairs
Washington, D.C. 20420

DVB Circular 26-88-18
Change 1
March 16, 1989

SHELTER FOR HOMELESS VETERANS
THROUGH ACQUIRED PROPERTY SALES

1. DVB Circular 26-88-18 announced the Homeless Program, authorized by the Veterans' Home Loan Program Improvements and Property Rehabilitation Act of 1987 (Pub. L. 100-198), and directed stations with Loan Guaranty activities to contact veterans' service organizations, local government agencies and nonprofit organizations assisting the homeless to determine locations and price ranges of properties in which the agencies might be interested.

2. Senator Alan Cranston, the Chairman of the Senate Committee on Veterans' Affairs, has made inquiry regarding the small number of properties sold to date under the VA Homeless Program. In order to respond to his inquiry regarding the possibility of additional sales of acquired properties for use in sheltering homeless veterans and their families, stations should again contact local government agencies and nonprofit organizations assisting the homeless to determine what aspects of the VA Homeless Program, or of their own internal situations, have precluded wider participation in this program.

3. Please provide Central Office with a report indicating the names of the local government agencies, veterans service organizations and other nonprofit organizations contacted and the reasons given for lack of participation in the Homeless Program. Your report should be received in Central Office within 15 days after the date of this change. This data collection is exempt from reports control.

R. J. VOGEL
Chief Benefits Director

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ATTACHMENT

Department of Veterans Benefits
Veterans Administration
Washington, D.C. 20420

DVB Circular 26-88-18

March 25, 1988

SHELTER FOR HOMELESS VETERANS THROUGH ACQUIRED PROPERTY SALES

1. General. The purpose of this circular is to announce a new program which combines the goal of assisting homeless veterans and their families in obtaining shelter with the goal of selling residential properties acquired through Loan Guaranty operations. On December 21, 1987, the President signed into law the Veterans' Home Loan Program Improvements and Property Rehabilitation Act of 1987 (Pub. L. 100-198). The Homeless Program, section 9(a) of the Act, authorizes the Administrator to sell acquired properties to any State or political subdivision of the State, or to nonprofit organizations working on behalf of homeless persons and who provide certain agreements to VA. This authority is effective until October 1, 1990.

2. Purchaser Eligibility and Preference

a. For the purpose of implementing the homeless program, the term "State" includes the several States, territories and possessions of the United States, the District of Columbia and the Commonwealth of Puerto Rico. Guam, the Virgin Islands, and any other locations in which the VA acquires property through Loan Guaranty operations are also included.

b. Among nonprofit organizations, preference will be given to those organizations named in, or approved by the Administrator under section 3402 of title 38, U.S. Code; e.g., American Red Cross, American Legion, Disabled American Veterans, United Spanish War Veterans, Veterans of Foreign Wars, etc. If more than one organization eligible for preference under this program expresses an interest in the same property, priority will be given to the organization whose acceptable offer is the first received. Updated lists of such organizations and their authorized representatives are provided to the Veterans Services Division in the regional office. Verification of recent additions not appearing on such lists may be accomplished by contacting the Office of the General Counsel at FTS 373-3425.

3. Property Eligibility and Price. To be eligible for sale under the homeless program, a property must have been on hand for 12 months or more and be available for an "as is" cash sale. Before the property can be offered for sale under the provisions of section 9(a), station management must determine that there is no significant likelihood that the property will be sold at a price sufficient to reduce the liability of the previous veteran-owner. This determination will be supported by the most recent property analysis. The sales price for such property under the program will be based on the property's minimum "as is" value and application of the maximum allowable cash discount, as well as any existing or anticipated trading margin. For example, if the minimum sale price for terms

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"as is" is $40,000, as shown in item 13 of VA Form 26-6701, Property Analysis and Recommendations, and if the maximum allowable discount for cash is 20 percent and the authorized trading margin is 15 percent, then the price for an eligible purchaser under section 9(a) of the Act would be calculated as follows:

$40,000	(minimum sale price for terms "as is")
- 8,000	(20 percent cash discount)
$32,000	(minimum sale price for cash "as is)
- 4,800	(15 percent trading margin)
$27,200	(minimum acceptable homeless program price)

4. Program Implementation. In preparation for implementing the homeless program, the following actions will be completed by April 15, 1988.

a. Review of Inventory. Stations will review the property management inventory to identify properties which are eligible for the homeless program. Incident to the review, a listing of eligible properties not available for sale to the public will be prepared for subsequent distribution to prospective purchasers under the program. For eligible properties which are currently listed for sale, stations will implement a local method of identifying these properties to interested groups by sales listing code, annotation or legend.

b. Preparation of Agreements

(1) Under the provisions of section 9(a) of the Act, the entity to which a property is sold must agree to the following:

(a) To utilize the property solely as a shelter primarily for homeless veterans and their families;

(b) To comply with all zoning laws relating to the property;

(c) To make no use of the property that is not compatible with the area where the property is located; and

(d) To hold VA harmless regarding any liabilities arising from or subsequent to the sale of the property.

(2) Stations will prepare documents containing these conditions of sale and request that the office of the District Counsel review to ensure that they are in conformance with State law. The purchaser will be required to submit a signed copy of the document with each offer to purchase a property under the program.

5. Other Initiatives. Stations are encouraged to make contact with any State and local agencies or nonprofit organizations working on behalf of the homeless and should attempt to learn the geographic areas in which the agencies may be seeking to acquire properties to be used as shelters for homeless persons and to determine the price

ranges of properties in which the agencies might be interested. Prospective purchasers under the homeless program may be provided with sales listings, program instructions, copies of agreements, and price lists of eligible VA-acquired properties not yet available for sale to the public.

6. Offer Procedures. If a prospective purchaser expresses an interest in a property identified as eligible by VA, the property will be excluded or removed from the sales listing to the public and the prospective purchaser will be allowed 30 days in which to provide a cash offer conditioned by the required agreements. If not named in, or approved under, section 3402 of title 38, U.S. Code, the prospective purchaser must also provide VA with written evidence which demonstrates an ability to provide assistance to and current involvement in assisting the homeless. Eligible purchasers under the homeless program will not be required to make an earnest money deposit.

7. Reporting Requirements

a. Stations will maintain a record of sales made under section 9(a) and will submit one copy to Central Office (263) on or before the 15th workday following the end of each quarter which will include the following: VA loan number; property address; purchaser name; purchase price; date of sale; and number of months of exposure to the market, if any, prior to receipt of an offer from the homeless group. RCS 20-0795 is assigned to this report. The original report retained by the station will be maintained in accordance with RCS VB-1, part I, item No. 13-091.100.

b. After receipt of the proceeds of sale, stations will enter "901" in field "QM" (amenities) of PMS transaction type 607 on VA Form 26-8971, Property Description Code Sheet (PMS-VADATS). Stations will mark over the preprinted "0" in field "QM" until distribution of the revised form is received. The supervisor approving VA's closing statement will ensure completion of this PMS coding.

8. Contact. Inquiries concerning the implementation of section 9(a) of the Act may be made to the Assistant Director for Property Management at FTS 373-2034.

9. Station Releases. Stations will issue a release to real estate brokers encouraging their participation as agents in the sale of acquired properties under the homeless program. Additionally, stations should distribute a release to any service organization or local government agency which station management believes would be interested in purchasing VA acquired properties for the purpose of assisting homeless veterans and their families. The release should explain the intent and limitations of the program outlined in this circular, as well as describe the method to be used by the station to identify eligible properties. The release should also state that brokers' commissions and bonuses are payable in connection with the

program, and that copies of the documents containing the required purchase agreements will be made available to brokers upon request to facilitate their role of assistance in this program. Stations need not submit copies of the releases to Central Office.

R. D. VOGEL
Chief Benefits Director

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Question

2.B. Tony, with further reference to efforts to identify VA property containing suitable buildings or land for possible use for the homeless, would you please provide to the Committee two items -- first, a list of the unutilized or underutilized VA properties that VA has submitted to HUD as required by the McKinney Act; and second, any information on additional plans that VA may now have for these properties, or that HUD may have for these properties?

Answer

2.B. The following is a listing of the VA properties that have been submitted to HUD to date. Updates to this listing must be provided by VA to HUD on a quarterly basis.

FACILITY	APPROX. ACREAGE
Alexandria, LA	15.5
Bath, NY	119
Battle Creek, MI	20
Butler, PA	9.29
Canandaigua, NY	27.5
Danville, IL	2.822 (incl. 2 bldgs.)
Dayton, OH	52.5
Fargo, ND	15
Ft. Lyon, CO	163.5
Huntington, WV	56.8
Livermore, CA	8.13
Milwaukee, WI	1 (incl. 2 bldgs.)
Minneapolis, MN	26.6 (incl. 15 bldgs.)
Minot, ND 1	20.6 (incl. 19 bldgs.)
North Chicago, IL	2.5
Pittsburgh, PA	52.42
Sepulveda, CA 2	31.8 (incl. 5 bldgs.)
St. Cloud, MN	19.8
St. Louis, MO	4
Temple, TX	13
Tomah, WI	12.65 (incl. 2 bldgs.)
Tuskegee, AL	40
Waco, TX	2.3
W. Los Angeles CA 2	80
SUBTOTAL:	796.712 (incl. 45 bldgs.)
TOTAL:	664.312 (incl. 21 bldgs.)

(Subtracted are acreage and buildings located at Minot, ND; Sepulveda, CA; and W. Los Angeles, CA)

FOOTNOTES:

1. Availability of Minot, ND is subject to provisions of P.L. 100-322, which requires VA to make the property available to the Department of Labor.

2. VA was prevented from excessing this acreage by provisions of P.L. 100-322.

Question 2.B. (cont.)

Following is the most recent information made available by HUD on the unsuitability of some of VA properties contained in VA's report to HUD. The reasons for unsuitability are those which HUD used in connection with the properties and had published in the Federal Register:

FACILITY	
Alexandria, LA	3.4 acres (out of 15.5 reported) unsuitable; reason: Not accessible by road;
Bath, NY	119 acres (out of 119 acres) unsuitable; reason: Not accessible by road;
Danville, IL	Building 12 (out of 2.822 acres and 2 bldgs.) unsuitable; reason: Asbestos; extensive interior renovation would cost $2 million;
Dayton, OH	52.5 acres (out of 52.5 acres) unsuitable; reason: Not accessible by road;
Fargo, ND	8.9 acres and 6.1 acres (out of 15 acres) unsuitable; reason: Floodway and maintenance of dike;
Huntington, WV	56.8 acres (out of 56.8 acres) unsuitable; reason: Isolated area;
Livermore, CA	8.13 acres (out of 8.13 acres) unsuitable; reason: Not accessible by road and heavily wooded area with a large slope;
Milwaukee, WI	1 acre and 1 building (out of 1 acre and 2 buildings) unsuitable; reason: Acreage not accessible by road and bldg. 45 is structurally unsound and contains friable asbestos;
*Minneapolis (Fort Snelling, St. Paul), MN	5.76 acres out of 26.6 acres) unsuitable; reason: Friable asbestos;
Pittsburgh, PA	52.42 acres (out of 52.42 acres) unsuitable; reason: Not accessible by road;
Sepulveda, CA	31.8 acres (out of 31.8 acres and 5 bldgs.) unsuitable; reason: "Other";
St. Cloud, MN	19.8 acres (out of 19.8 acres) unsuitable; reason: Floodway;
St. Louis, MO	4 acres (out of 4 acres) unsuitable; reason: Not accessible by road;
Tomah, WI	Building 2 (out of 12.65 acres and 2 bldgs.) unsuitable; reason: Friable asbestos and cost of bringing building up to code est. at $2 million.

* VA has requested clarification from HUD on the Minneapolis (Fort Snelling, St. Paul), MN determination that land is unsuitable because of asbestos.

Attached is a list of those properties which HUD has determined are suitable for use by the homeless with VA's statements of intent as to the disposition of those properties and if the VA will make them available for use by the homeless. Although HUD has also determined that land at Fort Lyon, CO; Minot, ND; Tomah, WI; and W. Los Angeles, CA is suitable for use by the homeless, the VA is still in the process of developing an official determination as to possible homeless use and will shortly respond to HUD in connection with these properties.

VETERANS ADMINISTRATION

UNUTILIZED AND UNDERUTILIZED PROPERTY

IDENTIFIED BY HUD AS SUITABLE AS FACILITIES TO ASSIST THE HOMELESS

The following VA buildings and land were identified by HUD as suitable for use as facilities to assist the homeless. In accordance with section 501(b) of the McKinney Act, the VA's statements of intent regarding use of these properties are as follows:

VA Medical Center (Buildings 60, 63, 85, 88, and 91)
16111 Plummer Street
Sepulveda, CA 91343

1. The VA does not intend to declare these properties excess to VA's need because it is prohibited from doing so by Public Law 100-322. The VA is also fully utilizing each building. Two of the buildings are used for housing VA Medical Center Staff as required by current VA policy. The others are used as research offices and laboratory space. There are no plans for vacating these buildings as they are actively used on a daily basis.

2. The VA does not intend to make these properties available on an interim basis for use as a facilities to assist the homeless because each building is needed for housing VA staff and programs. Specific reasons for not making these properties available for the homeless are as follows:

Building 60: This two-story, 1,970 net square fee (NSF) building is occupied by Research Service. Four investigators having VA, National Institute of Health (NIH) or Department of Defense (DOD) funded research projects have active, ongoing projects with staff and equipment.

Building 63: This is a one story, reinforced masonry building of approximately 3,140 square feet. The building was originally built as a dormitory for resident physicians. It has been remodeled as an office building with 12 offices and two computer rooms.

The building is presently used by the VA Central Office Research Computer Center under the direction of Dr. Fred Weibell. The Center is responsible for collecting from all VA research facilities, the information for the Research and Development Information System (RDIS) report. This report provides Central Office with a data base for managing the VA Research and Development Program. It is also used for responding to inquiries regarding the program from VA investigators, the Executive Branch, Congress, the scientific community, and the general public.

2.

Building 85: This is a one-story, 1,514 NSF structure which is currently occupied by Research Service. The researchers have VA and NIH funded projects with staff and equipment assigned to the building.

Building 88: This is a one-story, frame building of approximately 1,470 NSF which is designated as one of the key quarters at this facility. While normally used as quarters for the Associate Director, the building is currently occupied by the Chief, Engineering Service and his family.

Building 91: This is a two-story building of approximately 3,170 square feet. The building is designated as one of the key quarters at the facility. It is currently occupied by the Associate Director, his wife and three children.

VA Medical Center (Building 11)
1900 E. Main Street
Danville, IL 61832

1. The VA does not intend to declare this property excess to VA's need under applicable law because it is fully utilized by the Danville Community College (Lease Number 550-82-731).

2. The VA does not intend to make this property available for use as a facility to assist the homeless because it is fully utilized by the Danville Community College (Lease Number 550-82-731).

VA Medical Center (Building 12)
1900 E. Main Street
Danville, IL 61832

1. The VA does not intend to declare this property excess to VA's need under applicable law because the VA is making full use of this building and plans to continue using this building for warehousing purposes for the next five years.

2. The VA does not intend to make this property available for use as a facility to assist the homeless because the VA is making full use of this building and plans to continue using this building for warehousing purposes for the next five years.

3.

VA Medical Center (Parcel #4)
2501 Shreveport Hwy
Alexandria, LA 71301
Acres: 8.27

1. The VA does not intend to declare this property excess to VA's need under applicable law because portions of this land are currently being used for VA activities:

a. A portion of this land is used as a PAR-Course which is an exercise, corrective therapy trail for patients. The PAR-Course winds around the 8.27 acres of land.

b. A portion of this land is the designated site for the VAMC power transformer building and associated supply equipment.

c. A portion of this land serves as a buffer zone for a residential area adjoining the VAMC property and as a buffer/protective area for the VAMC's new acute and long-term psychiatric facility (80 beds), which is nearing completion and will be fully activated this year.

2. The VA will make those portions of this property which are not being used available on an interim basis (under lease for at least one year or by permit) for use as a facility to assist the homeless subject to conditions that use of the property does not impinge upon patient care.

VA Medical Center
North Chicago, IL 60064
Acres: 2.5

1. The VA does not intend to declare this property excess to VA's need under applicable law because it is currently being fully utilized as a construction staging area for major construction project #556-055. It is projected that this construction project will take a minimum of five years for completion.

2. The VA will not make this property available for use as a facility to assist the homeless because the entire area is being used for construction purposes which are extremely dangerous to human occupancy or use. VAMC personnel, not affiliated with the construction contractor, are prohibited from entering this fenced-in area without direct supervision from the Resident Engineer. The area is dangerous because of the construction activity involving large trucks, tractors, cranes, and other large construction machinery. This land currently consists of six feet of crushed gravel, with temporary drainage, occupied by various pieces of construction equipment, contractor trailers, and construction material.

DEPARTMENT OF VETERANS AFFAIRS

UNUTILIZED AND UNDERUTILIZED PROPERTY

IDENTIFIED BY HUD AS SUITABLE AS FACILITIES TO ASSIST THE HOMELESS

The following VA buildings and land were identified by HUD as suitable for use as facilities to assist the homeless. In accordance with section 501(b) of the McKinney Act, the VA's statements of intent regarding use of these properties are as follows:

As listed in the Federal Register dated February 21, 1989 and in the letter from HUD dated February 23, 1989:

VA Medical Center
Tuskegee, AL 36083
(40 Acres)

1. VA does not intend to declare this property excess to VA's need because it is utilized as a buffer between the Medical Center and a major interstate highway. The buffer serves as a patient safety area for this long-term care and psychiatric facility. Future plans include the development of this area for patient recreation purposes.

2. VA intends to make a portion of this property available for use by the homeless on an interim basis. The portion which will be made available consists of 3.44 acres, east of east longitude line 540000.

VA Medical Center
Battle Creek, MI 49016
(20 Acres)

1. VA does not intend to declare this property excess to VA's need because VA is making full use of this land for patient and program activities and plans to continue using this property for the foreseeable future.

2. VA does not intend to make this property available for the homeless because VA is making full use of this land for patient and program activities and plans to continue using this property for the foreseeable future.

2.

VA Medical Center
Canandaigua, NY 14424
(27.5 Acres)

1. VA does not intend to declare this property excess to VA's need under applicable law because thirteen acres are being fully utilized by the Canandaigua City School District (Lease Number 532-88-007-LI). The remaining 14.5 acres is an integral part of this facility's property and serves as the only future growth potential.

2. VA does not intend to make this property available for the homeless because thirteen acres are being fully utilized by the Canandaigua City School District (Lease Number 532-88-007-LI) and the remaining land (14.5 acres) is landlocked and to use it would disturb other VA property.

VA Medical Center
Butler, PA 16001
(9.29 Acres)

1. VA does not intend to declare this property excess to VA's need because it is needed for environmental purposes. This land is located in an area which serves as a natural drainage for most of the facility property. Because this land is used for the sole purpose of drainage, environmental problems would result if it were disturbed. Possible resultant problems would create a need for a construction project to collect and redistribute the naturally occurring water runoff from the medical center grounds.

2. VA does not intend to make this property available to the homeless. Because this land is needed for environmental purposes and serves as a natural drainage for most of the facility property.

VA Medical Center
Temple, TX 76504
(13 Acres)

1. VA does not intend to declare this property excess to VA's need because a microwave facility will be installed on this land as part of Project 674-064.

2. VA intends to make this property available for use by the homeless on an interim basis until the microwave facility construction begins in 1990.

3.

VA Medical Center
Waco, TX
(2.3 Acres)

1. VA intends to declare this property excess to VA's need under applicable law pending Congressional approval.

2. VA intends to make this property available for use by the homeless on an interim basis pending Congressional approval of excessing action. This property is currently leased to Owens-Illinois industrial plant for parking purposes. Use by the homeless would require negotiation with Owens-Illinois for termination of the revocable lease.

VA Medical Center
Tomah, WI 54660
(Building 8)
Comment: Not for occupancy.

1. VA does not intend to declare this property excess to VA's need because the utilities which run underground across the property are integral to other VA buildings. This building is slated for demolition pending approval from the Historic Preservation Advisory Board.

2. VA does not use this building because of its poor condition. VA intends to make this property available for use by the homeless provided it is relieved of responsibility for fire, safety and related deficiencies for any uses on an interim basis.

VA Medical Center
Milwaukee, WI 53295
(Building 41)

1. VA does not intend to declare this property excess to VA's need because it is currently being fully utilized by a community theatre group of the Milwaukee community schools three to four days per week. This use is expected to continue for the next several years.

2. VA intends to make the property available to for use by the homeless provided it is relieved of responsibility for fire, safety and related deficiencies for any uses on an interim basis. Use of this building would also require negotiations with the Milwaukee community school.

Question

3.A. Tony, as you know, V.A.'s Management Efficiency Pilot Project is designed to remove constraints in law, regulation, and administrative practice that have unduly complicated the management of V.A. programs and the furnishing of services to veterans. Do you support this pilot program?

Answer

3.A. I support the VA's Management Efficiency Pilot Program without hesitation. As a concept, the Department needs this initiative to help it find field-derived ways to do our work more efficiently and effectively. The first annual report of the MEPP project has been completed by the Office of Program Analysis and Evaluation and I am heartened by the preliminary findings which include improved service to veterans, significant reallocation of staff time, and enhanced financial management.

The report also documents strong endorsement of the program by its field participants. I have met with the Chief Benefits Director and the directors of the five MEPP sites in the Veterans Benefits Administration. They briefed me on their progress, concerns, and interest in this initiative. It is clear to me that there is real dedication to this project, and that both dollar savings and improvements in morale are being realized. As you may know, there are two years left before the final evaluation of the program is available. I looking forward with interest to reviewing each year's successes.

Based upon recommendations in the first annual report, we may make slight adjustments to the program to ensure its continued success. I believe we need to take advantage of the improvements identified in MEPP -- by implementing many nationwide now, and by finding other ways to expand as we come closer to the end of the pilot phase. This program yields prompt return to both our employees and the veterans we serve. I look forward to working closely with your committee and others in identifying better ways to serve our nation's veterans through the MEPP process. Your continued support of the program will be vital to its success.

Question

3.B. The Department's first interim report on the implementation of this project was due to Congress in December 1988 but, to my knowledge, has not been transmitted. Would you please look into this and get back to us as to when we will receive the report?

Answer

3.B. The first draft of the Management Efficiency Pilot Program was completed in December 1988. This comprehensive report called for extensive central office and field review. I regret the delay, and will ensure that this review is thorough. The interim report will be submitted to you before the end of April.

QUESTION

4. As you know, Section 303 of Public Law 100-689 greatly expanded the VA's authority -- subject to approval in an appropriations act -- to use funds from the Loan Guaranty Revolving Fund for supplementary services and equipment where that would be in the interest of the long-term stability and solvency of the Revolving Fund. In the Administration's F.Y. 1990 Budget, however, only $1.5 million is proposed to be used from the Revolving Fund.

   At the Committee's March 6 Budget Hearing, I asked the Agency if there were any additional items which would meet the criteria of Section 303. The written response supplied a list of such items, a copy of which I will give you, totaling about $3.2 million. Would you agree to look into this and let me know your views on whether some or all of these additional items should be funded from the L.G.R.F. and, if so, whether the Agency will go back to O.M.B. to request the authority to make expenditures from the Revolving Fund for some or all of these items in FY 1990 or request authority for FY 91?

ANSWER

4. The list of additional equipment and services represents opportunities which would be beneficial for the long-term improvement in Loan Guaranty operations. We are currently discussing these projects within the Administration and plan to move ahead once these reviews are completed.

QUESTION

5. In your March 10 response to my prehearing Question 7.C., regarding the Administration's policy of selling vendee loans without recourse, you stated that, while you will support whatever the Administration's policy is, you "will not hesitate" to let O.M.B. know that you believe that the VA "should continue to pursue alternatives to selling vendee loans without recourse in the interest of maximizing our returns on the sale of these assets."

   Would you agree to let me know by May 1 the results of any discussions you have with O.M.B. on this point?

ANSWER

5. It is my understanding that the Department and its financial advisor, Kidder Peabody & Co., have had ongoing discussions regarding alternative methods for selling vendee loans. I plan to review this matter carefully with Department officials. Once I have had an opportunity to analyze alternatives, I will discuss them with OMB and will certainly express my views to them. I anticipate being able to report the results to the Committee by May 1.

Question

6.A. (I) Tony, in regard to pre-hearing Question 9 about the proposal to eliminate the Office of Program Analysis and Evaluation, and the desirability of contracting with outside entities for carrying out the program evaluation function mandated by Section 219 of Title 38, do you have any additional views at this time as to what staff, if in-house, will perform the statutorily-mandated program evaluations or whether this function should be performed under contract?

(II) [If not] would you agree to give us your views on this by May 1?

Answer

6.A. As I indicated earlier, we are carefully reviewing the functions currently performed by the Office of Program Analysis and Evaluation, including program evaluations. This review is being conducted as part of the larger effort to determine the best structure for the Department as a whole. The extent to which program evaluations can best be performed by in-house staff or under contract is dependent on the availability of resources to the Department. I will make every effort to resolve this issue and provide further information to you by May 1, 1989.

Question

6.B. Would you agree to submit for the record, first, the number of PA&E employees who have left the Agency since the President's budget proposed the elimination of PA&E; and second, a description of efforts that VA is making to retain PA&E employees and your views about the adequacy of VA efforts in this regard?

Answer

6. B. Between the January 1989 announcement of the proposed elimination of the Office of Program Analysis and Evaluation (PA&E) and March 31, 1989, five PA&E employees left VA: four by transfer to other agencies and one by resignation. Additionally, three employees applied and were selected for reassignment to positions in other VA offices.

To retain PA&E employees, management and personnel officials met with them, notifying them of the proposed reorganization. The personnel folders of PA&E employees were reviewed to determine their qualifications for other positions, and the employees have been given individual counseling about employment options and application procedures. Special delivery of vacancy announcements to PA&E helps increase employees' awareness of placement opportunities.

In February, a selection control program was established to give employees of certain staff offices covered by the General Operating Expenses (GOE) appropriation (including PA&E employees) first consideration for VA positions in the Washington, DC, metropolitan area. This program should enhance placement of PA&E employees within the VA.

These efforts are adequate at this time. Further efforts will include a special placement program granting PA&E employees consideration for suitable vacancies before candidates from other offices, including employees of GOE offices covered by the selection control program mentioned above.

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